MOTOR BANK
Public Joint Stock Company
Annual Financial Statements

as of end of day, 31 December 2012

MOTOR-BANK, PJSC 2012 ANNUAL FINANCIAL STATEMENTS COMPRISE THE FOLLOWING:

FINANCIAL POSITION (BALANCE) STATEMENT AS OF 31 DECEMBER 2012

(thousand UAH)

Item	Remarks	2012	2011	2010
ASSETS				
Cash and cash equivalents	6	166,891	93,802	112,315
Compulsory reserves in the National Bank of Ukraine		1,988	2,306	1,560
Funds in other banks	7	18,289	30,136	83,823
Credits and indebtedness of clients	8	141,718	111,274	63,658
Securities in bank's portfolio before repayment	9	25,602	9,871	9,001
Property and equipment, and other intangible assets	10	32,056	21,907	7,924
Other financial assets	11	3,271	2,578	2,045
Other assets	12	6,040	2,886	176
Total assets		**395,855**	**274,760**	**280,502**
LIABILITIES				
Funds of clients	13	253,484	133,896	144,948
Liabilities on current profit tax		4,622	2,082	2,497
Deferred tax liabilities		-	1,981	1,696
Reserves under liabilities	14	26	67	-
Other financial liabilities	15	837	65	56
Other liabilities	16	882	472	10,045
Total liabilities		**259,851**	**138,563**	**159,242**
Equity capital				
Statutory capital	17	120,000	120,000	110,000
Undistributed earnings (outstanding loss)		14,214	14,977	10,491
Reserve and other funds of bank		1,790	1,220	769
Total equity capital		136,004	136,197	121,260
Total liabilities and equity capital		**395,855**	**274,760**	**280,502**

Approved for issue and signed on

02 April 2013

Chairman of the Management Board ______________V.I. Prydatko

Chief Accountant ______________ L.O. Motronenko

L.Yu. Trubnikova
061-720-54-31

PROFIT AND LOSS AND CONSOLIDATED INCOME STATEMENT (EQUITY CAPITAL STATEMENT) FOR THE YEAR 2012

(thousand UAH)

Item	Remarks	2012	2011
Interest income	19	35,047	26,303
Interest expenses	19	(10,114)	(5,329)
Net interest income/(Net interest expenses)		**24,933**	**20,974**
Commission income	20	11,970	10,348
Commission expenses	20	(6,093)	(3,486)
Result from sale of securities in portfolio of bank for sale		1,043	-
Result from operations with foreign currency		1,079	1,260
Result from re-assessment of foreign currency		(395)	453
Deductions to reserve for depreciation of credits and funds in other banks	7.8	(2,609)	(52)
Deductions to reserve for depreciation of accounts receivables and other financial assets	11.12	599	(581)
Depreciation of securities in portfolio of bank before repayment	9	(1,144)	(163)
Deductions to reserve for liabilities	14	41	(67)
Other operating income	21	50	33
Administrative and other expenses	22	(19,203)	(15,402)
Income/(loss) before tax		10,271	13,317
Expenses for profit tax	23	(5,724)	(4,383)
Income/(loss) for the year		4,547	8,934
Income (loss) due to bank's owners		4,547	8,934
Total consolidated income for the year		**4,547**	**8,934**
Net income/(loss) per one ordinary share per year	24	3.79	7.57

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Chairman of the Management Board ______________V.I. Prydatko

Chief Accountant ______________ L.O. Motronenko

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061-720-54-31

STATEMENT ON EQUITY CAPITAL CHANGES (EQUITY CAPITAL STATEMENT)

(thousand UAH)

Item	Remarks	Statutory Capital	Reserve, Other Funds and Re-Assessment Funds	Undistributed Profit	Total Equity capital
Balance as of 1 January 2011		**110,000**	**769**	**10,491**	**121,260**
Total consolidated income		-	451	8,483	8,934
Issue of shares:	17	10,000	-	-	10,000
nominal value		10,000	-	-	10,000
Dividends	25	-	-	(3,997)	(3,997)
Balance as of the end of 31 December 2011		**120,000**	**1,220**	**14,977**	**136,197**
Total consolidated income		-	570	3,977	4,547
Dividends	25	-	-	(4,740)	(4,740)
Balance as of the end of 31 December 2012		**120,000**	**1,790**	**14,214**	**136,004**

Approved for issue and signed on

02 April 2013

Chairman of the Management Board ____________V.I. Prydatko

Chief Accountant ____________L.O. Motronenko

L.Yu. Trubnikova
061-720-54-31

STATEMENT ON CASH FLOW BY STRAIGHT LINE METHOD FOR THE YEAR 2012

(thousand UAH)

Item	Remarks	2012	2011
MONETARY FUNDS FROM OPERATING ACTIVITY			
Interest income, received		33,817	24,698
Interest expenses, paid		(9,054)	(4,933)
Commission income, received		11,922	10,316
Commission expenses, paid		(6,086)	(3,483)
Result of operations with trading securities		1,043	-
Result of operations with foreign currency		1,079	1,260
Other operating income, received		49	33
Payments for personnel upkeep, paid		(9,656)	(7,849)
Administrative and other operating expenses, paid		(7,907)	(6,061)
Profit tax, paid		(5,165)	(12,571)
Monetary funds received/(paid) from operating activity before changes in operating assets and liabilities		**10,042**	**1,410**
Changes in operating assets and liabilities			
Net (increase)/decrease of compulsory reserves in the National Bank of Ukraine		318	(745)
Net (increase)/decrease of funds in other banks		12,772	56,011
Net (increase)/decrease of credits and indebtedness of clients		(32,929)	(41,044)
Net (increase)/decrease of other financial assets		(647)	(508)
Net (increase)/decrease of other assets		(3,154)	(2,711)
Net increase/(decrease) of clients' funds		118,529	(11,448)
Net increase/(decrease) of other financial liabilities		835	(9,953)
Net monetary funds received/(used) from operating activity		**105,766**	**(8,988)**
MONETARY FUNDS FROM INVESTMENT ACTIVITY			
Purchase of securities in bank's portfolio before repayment	9	(16,043)	(1,000)
Purchase of property and equipment	10	(11,450)	(15,079)
Net monetary funds received/(used) from investment activity		**(27,493)**	**(16,079)**
MONETARY FUNDS FROM FINANCIAL ACTIVITY			
Issue of ordinary shares		-	10,000
Dividends paid	25	(4,740)	(3,997)
Net monetary funds received/(used) from financial activity		(4,740)	6,003
Influence of change of official exchange rate of the National Bank of Ukraine and their equivalents		**(395)**	**453**
Net (increase)/decrease of monetary funds and equivalents		73,138	(18,611)
Monetary funds and their equivalents as of the beginning of the period	6	**93,697**	**112,308**
Monetary funds and their equivalents as of the end of the period	6	**166,835**	**93,697**

Approved for issue and signed on

02 April 2013

Chairman of the Management Board ____________V.I. Prydatko

Chief Accountant ____________L.O. Motronenko

L.Yu. Trubnikova
061-720-54-12

Note 1. Information about the Bank

Name, Location of the Bank

Full official name: Public Joint Stock Company "MOTOR-BANK"
Short official name: MOTOR-BANK, PJSC
Location of the Bank: 54 "B" Motorobudivnykiv Avenue, Zaporizhzhya, 69068 Ukraine

Legal form of the Bank.

Public Joint-Stock Company.

Name of regulatory body, under which jurisdiction the Bank lies.

The Bank is an independent business entity.

Characteristics of banking operations.

MOTOR-BANK, PJSC has been operating in the banking market in Zaporizhzhya Oblast since 2008 (statutory capital of the Bank as of the end of 31 December 2012 is 120 million UAH).

Clients of MOTOR-BANK, PJSC are natural persons and legal entities, residents and non-residents, which operate on the territory of Zaporizhzhya Oblast, leaders of domestic economy and leading Ukrainian companies.

In order to satisfy the growing demand of clients for banking services, the Bank has been improving the existing and introducing new banking products for natural persons and legal entities during the accounting period.

The priority lines of MOTOR-BANK, PJSC activity in 2012 continued to be expansion of the client base and involvement of corporate clients to credit servicing.

Types of activity, which the Bank fulfils and intends to fulfil.

As of the end of 2012 MOTOR-BANK, PJSC was authorized to fulfil and fulfilled the following types of activity (operations) based on the banking license and general license for conducting foreign exchange operations:

- raising of funds to contributions (deposits) from the unlimited range of legal entities and natural persons;
- opening and maintenance of current (correspondent) accounts of clients;
- investment of funds raised as contributions (deposits), including to current accounts, on own behalf, own terms and at own risk;
- non-commercial operations with currency assets;
- operations with foreign currency cash and cheques (purchase, sale, exchange, acceptance for encashment) executed by cash departments and foreign exchange offices of banks;
- maintenance of clients' accounts (residents and non-residents) in foreign currency and clients - non-residents in the monetary unit of Ukraine;
- opening of correspondent accounts in authorized banks of Ukraine in foreign currency and conduct of operations with them;
- opening of correspondent accounts in banks (non-residents) in foreign currency and conduct of operations with them;
- raising and investment of foreign currency in the foreign exchange market of Ukraine;
- foreign exchange trading in the foreign exchange market of Ukraine [except operations with cash in foreign currency and cheques (purchase, sale, exchange) executed by cash departments and foreign exchange offices of banks and agents];
- issue of payment documents, payment cards and/or their servicing, clearing, other forms of settlement provision;
- storage of valuables and property leasing (rent) of individual safe-deposit box;
- granting of guarantees and securities;
- funds transfer;
- conduct of operations in the securities market on own behalf;
- issue of own securities.

MOTOR-BANK, PJSC is also licensed to conduct the following operations:

- operations with cash in foreign currency (purchase, sale, exchange) conducted in foreign exchange offices operating on the grounds of agency contracts concluded by banks with legal entities - residents;
- maintenance of correspondent accounts of banks (residents and non-residents) in foreign currency;
- maintenance of correspondent accounts of banks (non-residents) in the currency unit of Ukraine;
- foreign exchange operations in the foreign exchange market of Ukraine, which refer to financial services in accordance with article 4 of the Law of Ukraine "On Financial Services and State Regulation of Financial Services Market" and which are not indicated in paragraphs of the second - seventeenth sections of the second Provision on the Procedure of Granting General Licenses for Conducting Foreign Exchange Operations to Banks and Affiliates of Foreign Banks approved by the resolution of the Management Board of the National Bank of Ukraine dated 15.08.2011 No. 281;
- other operations within the current legislation of Ukraine.

Specialization of the Bank.

The Bank functions as a full-service one. The Bank renders a large range of banking services to clients - subjects of all economic forms: financial banking and non-banking institutions, state-owned and private entities, subjects of entrepreneurship, natural persons on the territory of Zaporizhzhya Oblast within the licenses and permit issued by the NATIONAL BANK OF UKRAINE.

Strategic Purpose of the Bank.

The goal of the Bank activity is to provide proper profit of shareholders and support high stability of the Bank by promoting the economic growth and prosperity of all clients serviced by the Bank, rendering high-quality services, which comply with high professional standards and ethic principles, target groups of clients:

- Corporate clients - legal entities, which do not refer to the small business category, namely:

- *industrial entities;*
- *large agricultural entities*;

- Natural persons who care of their prosperity and life quality, including employees of entities serviced by the Bank.

In order to achieve this goal the Bank has set and solves successfully the following tasks:

- expansion of the client base;
- increase of volumes of assets/liabilities taking into account their structure quality;
- support of the stable and adequate growth of the Bank capital;
- coverage of priority segments of the banking service market in Ukraine.

The tasks set by the Bank are achieved with the help of the following actions:

- development of the branch network in Zaporizhzhya Oblast and Ukraine;
- expansion of credit products range by creating new types and optimizing existing procedures;
- organization of all-inclusive services for clients;
- use of up-to-date banking technologies in operations with clients.

Share of the management in the Bank shares

As of the end of 2012 the members of the Management Board of the Bank do not hold shares of the Bank. The members of the Supervisory Board, who are representatives of legal entities of the Bank shareholders, do not hold shares of the Bank.

Owners of major interest in the Bank

Item No.	Full name of legal entity or surname, name and patronymic of natural person, who holds directly or indirectly 10 and more percent of the statutory capital of the Bank	Quantity of shares in statutory capital	Stock value (UAH)	Percent in statutory capital direct interest	indirect interest
1	ADDITIONAL LIABILITY COMPANY “INSURANCE COMPANY “MOTOR-GARANT”	765,170	7,651,000	63.7642	0.00
2	Public Joint-Stock Company “MOTOR SICH”	392,415	3,924,500	32.7013	63.7672

The financial statements are approved for issue on 2 April 2013 and signed by the authorized persons of the Bank: Valentyna Ivanivna Prydatko, Chairman of the Management Board and Larysa Oleksiyivna Motronenko, Chief Accountant.

No decisions on making considerable transactions by the authorized bodies of the Bank were made in 2012. The Bank did not take loans, credits, and place securities for an amount exceeding 25 percent of the assets in 2012; no changes in the composition of officials of the Bank took place; no decisions on termination or bankruptcy of the Bank were made during 2012 by the General Meeting of the Shareholders or court.

Note 2. Economic Environment, in Which the Bank Operates

Independent of the fact that Ukrainian economy is acknowledged to be a market economy, it continues demonstrating some features, which are mainly typical for a transitional economy. Such features include, among other matters, currency, which is not freely converted outside the country, limitations and control in foreign exchange field, relatively high inflation and high interest rates. Stability of Ukrainian economy will depend considerably on the policy and actions of the government aimed at reformation of the administrative and legal systems, as well as the economy as a whole. As a result, risks, which are not typical for countries with developed economy, are common for operations in Ukraine.

The Ukrainian economy is influenced by market fluctuations and reduction of the economic development rates in the world economy. The world financial crisis caused instability at capital markets, significant worsening of liquidity in the bank sector and stricter conditions of crediting (if any), as well as significant depreciation of the national currency as to main currencies. The Bank borrowers also suffered from the crisis consequences, which in its turn influenced their capability to repay debts.

Starting from 2010, the banking system has been experiencing periodical difficulties connected with liquidity. Thus, the banking sector faced problems connected with short-term liquidity in the second half of 2012 once again.

The tax, foreign exchange and customs legislation of Ukraine allows differing interpretations and often changes. Difficulties, which Ukrainian banks face, also include the need for further development of the legislation in terms of bankruptcy, typical procedures of registration and use of mortgage, as well as other limitations of legislative and fiscal nature.

Future economic growth of Ukraine depends both on external factors and actions of the government aimed at supporting growth and implementation of necessary changes in the tax, legal and regulatory fields. The management considers that it fulfils all required actions for supporting the stable activity and development of the Bank.

Note 3. Principles of Financial Statements Submission

These financial statements are the first financial statements, which the Bank prepared in accordance with the International Financial Reporting Standards (IMRS). The date of transition to the IMRS is 1 January 2011. The Bank executed its financial statements for the previous accounting periods ended 31 December 2010 in accordance with requirements of the Laws of Ukraine and regulatory acts of the National Bank of Ukraine.

The Bank prepared these financial statements for the year ended 31 December 2012 in accordance with the International Financial Reporting Standards (IFRS) accepted by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) applied to the accounting period as of 31 December 2012.

These financial statements of the Bank have been prepared according to the International Financial Reporting Standards

(IFRS) accepted by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC).

The bank keeps accounting records in accordance with regulatory requirements for organization of accounting and financial reporting in banking institutions of Ukraine, set rules of the National Bank of Ukraine in accordance with the International Accounting Standards.

These financial statements have been prepared on the basis of accounting records maintained in accordance with the rules set by the National Bank of Ukraine and contain corrections and reclassifications in case of detection of discrepancies between requirements of the IFRS and regulatory legal acts of the National Bank of Ukraine, in particular:

- in terms of formed reserves for reimbursement of possible losses under active banking operations;
- for deferred taxes;
- for interest income;
- for operations, which were actually performed at the end of the current year and entered on the books on the first working day of the year following the accounting one.

The functional currency of the statements and unit of its assessment: Ukrainian hryvnia (UAH) is the functional currency of the Bank; all forms of annual financial statements and notes to them are presented in thousands of hryvnias (thousand UAH).

Operations in foreign currency in the accounting and financial reporting are also reflected in hryvnias with their conversion at the official rate of the National Bank of Ukraine as of the date of operation conduct.

The Bank has no subsidiaries and it does not draw up consolidated statements.

The Bank has no associated company investment.

Note 4. Principles of the Accounting Policy

When applying the accounting policy in accordance with the international standards, the Bank follows the relevant International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS).

Changes in the accounting policy can take place in case:

- changes are required by the IFRS;
- necessity of using another method for reflection of economic operations, assets, liabilities, equity capital, results of activity for more faithful representation of actions and transactions in the financial statements of the Bank, provided that these changes will lead to submission of more appropriate and reliable information on the financial position, financial results of activity or cash flows.

Amount of a correction occurring as a result of the accounting policy change is reflected in the financial statements by correcting the balance of each component of equity capital as of the beginning of the period, which this change influences, for the first submitted previous period, as well as correcting other compared amounts, information about which is disclosed for each submitted previous period as if the new accounting policy had always been used.

In the absence of the relevant standard on drawing up of financial statements the Bank uses its own professional judgement for developing the accounting policy provisions.

The Bank does not use new or revised standards before they take effect.

Note 4.1. Basic assessments of drawing up of the financial statements

Financial assets and liabilities are reflected at fair value, initial cost or amortised prime cost depending on their qualification.

Fair value is a sum of monetary funds, which is sufficient for purchasing an asset or meeting a liability when executing a transaction between independent parties which are well informed and really want to execute this transaction. The fair value is a current price of a proposition for financial assets and demand price for financial liabilities quoted at the active market. As to assets and liabilities with market risks, which are mutually compensated, the Bank may use average market prices for determination of the fair value of a proposition with risks, which are mutually compensated, and apply the relevant demand price or proposition price to a net open position. A financial instrument is an instrument, which is quoted at the active market if quotation of this financial instrument is free and regularly available at stock exchange or another organization and if these quotations reflect actual and regular market operations conducted on general conditions.

In order to determine the fair value of specific financial instruments, for which no data on market prices are available from external sources, such assessment methods as the cash flow discount model, assessment models based on data on last transactions executed between non-associated parties or analysis of financial information about investment objects are used. Application of the assessment methods may require assumptions, which are not substantiated by market data. Information in these financial statements is disclosed in cases when replacement of any of such assumptions with a possible alternative can lead to the major change of income amount, revenues, and total amount of assets or liabilities.

Initial value is an amount of paid monetary funds or their equivalents or fair value of other resources granted for the asset purchase as of the date of purchase, which includes expenses for conducting the transaction. Assessment at the initial value is used only for investments to capital instruments, which have no market quotations and which fair value cannot be authentically determined, as well as derivative financial instruments connected with such capital instruments and settlements, under which they should be made by delivering such capital instruments without quotations.

Expenses for conducting a transaction are inherent expenses, which are directly connected with purchase, issue or withdrawal of a financial instrument. Expenses for conducting a transaction include payments and commission fees paid to agents (including employees who act as salesmen), consultants, brokers and dealers; duties paid to control bodies and stock exchanges, as well as taxes and duties collected at property right re-registration. Expenses for conducting a transaction do not include premia or discounts under debt liabilities, expenses for financing, internal administrative expenses and storage expenses.

Amortised prime cost is an amount, at which a financial asset or liability is assessed during initial recognition, minus payments of the principal amount, plus accrued interests, plus or minus accumulated amortization of any difference between these initial amount and repayment amount calculated using the effective interest rate method, and minus any decrease of financial assets due to depreciation.

Effective interest rate method is a method of recognition of interest income or expenses during a relevant period for the purpose of obtaining a constant interest rate (effective interest rate) of a balance value of an instrument. Effective interest rate is an interest rate, at which future settlement monetary payments or revenues (without taking into account future credit losses) are discounted exactly during the expected term of the financial instrument validity or in relevant cases during a shorter period to net the balance value of the financial instrument. The effective interest rate is used for discounting cash flows under instruments with floating rate till next change of the interest rate, except premium or discount reflecting credit spread over the floating rate set for this instrument or other variable factors that do not change depending on market rates. Such premia or discounts are amortized during the whole expected term of the instrument validity. Calculation of the current value includes all commission fees and payments made or received by parties of an agreement being an integral part of the effective interest rate.

The accounting policy of the Bank in relation to recognition criteria and further assessment of specific assets and liabilities, income and expenses is disclosed in the relevant notes to these statements.

Note 4.2. First recognition of financial instruments

The Bank recognizes the financial assets and liabilities in the Financial Position (Balance) Statement when it becomes a party of contractual liabilities regarding this instrument. Operations on traditional purchase and sale of financial assets and liabilities are recognized using accounting on the date of settlement. All other operations on purchase or sale of financial instruments are recognized when the Bank becomes a party of a financial instrument purchase agreement.

According to provisions of IAS 39 financial assets are classified, respectively, as financial assets at their fair value with reflection of re-assessment as profit or loss, accounts payable and accounts receivable, investments held before repayment or available-for-sale financial assets.

Financial assets and liabilities are primarily recognized at fair value, as well as in case a financial asset or financial liability is recognized not at its fair value with reflection of re-assessment of both profit and loss, losses incurred for a transaction execution, which directly relate to purchase or issue of this financial asset or financial liability. In the absence of the active market the basis for current fair value determination are data on last agreements executed between non-associated parties.

Thereafter, financial assets and liabilities are reflected at fair value, initial value or amortised value depending on their qualification. The accounting policy related to further re-assessment of financial instruments is set forth below in the relevant subsections of the basic principles of the accounting policy.

Note 4.3. Depreciation of financial assets

Financial assets, except financial assets accounted at fair value, with reflection of re-assessment through profit and loss were assessed with respect to availability of depreciation signs as of the end of each accounting period. Losses from depreciation are recognized as part of profit or loss while they occur. Financial assets are considered to be depreciated when there is objective evidence that expected future cash flows from investments are influenced negatively by one or more events occurred after the first recognition of the financial asset. For investments into capital instruments with or without quotation and those that are classified as available for sale, significant or a long-term decrease of fair value of such securities below their first value is considered to be the objective evidence of depreciation. The following factors may serve as evidence of depreciation for all other financial assets:

- significant financial difficulties of an issuer or contractor;
- agreement violation, failure to fulfil liabilities, failure to pay timely interests or principal of debt;
- the Bank came to its knowledge that the borrower would be bankrupt or would carry out financial reorganization; loss of the active market for a financial asset in connection with financial difficulties.

If objective evidence of the utility reduction for a separately assessed financial asset is unavailable, the Bank includes such asset into the group of financial assets with similar characteristics of credit risk and assesses them for the utility reduction cumulatively, i.e. on the portfolio basis. Credit operations assessed for the utility value reduction separately (on an individual basis) and for which loss from the value reduction is recognized or continues to be recognized are not included into the total assessment of the utility reduction. Accrued income for using loans refers to the portfolio, according to which a principal debt of a credit is classified. All credit operations of one borrower are assessed separately with the credit risk calculation under each separate agreement. In case of receiving different reserve interests under credit operations of one borrower and determination of different categories of the credit portfolio, all agreements of this client are reserved at the largest reserve interest calculated under its agreements, have the same credit risk and category of the credit portfolio for the utility reduction calculation (individual or portfolio).

Analysis of objective evidence of the utility reduction of a separately assessed financial instrument (credit) is performed on the grounds of such signs as:

- availability of cases of late repayment of interests or credit amount;
- availability of signs that the Bank expects difficulties related to repayment by the borrower of specific amount of credits and interests on them;
- availability of signs certifying financial difficulties of the borrower;
- changes of the borrower's operations indices (indices for current and previous periods): revenue, net profit (loss) for the period (comparison analysis with the similar period of the previous year), asset side of the balance sheet as of the accounting date, credit liabilities as of the accounting date, other current and long-term liabilities, statutory capital as of the accounting date;
- analysis of cash receipts to all current accounts of a borrower and their sufficiency for fulfilling by client of its liabilities to the Bank;
- violation of credit agreement terms during the term of credit funds use and first of all, in terms of timely credit repayment, compliance with a schedule of loan debt repayment and interests payment depending on term of delay;
- change of management, conflicts between founders and/or managers of a company, belonging to top management of a borrower - legal entity, reorganization and/or radical change of the borrowing company's development concept;
- considerable reduction of the market share occupied by the borrower and/or reinforcement of the competitive environment position in the specified market segment;
- national or local economic and/or political conditions correlating to non-fulfilment of the borrower's liabilities to the Bank;

- death of the borrower - natural person or bankruptcy of the borrower - legal entity;
- availability of any other signs, which may influence assessment of useful value of loans.

Calculation of a financial instrument usefulness reduction (credit operation) is performed according to balance data on amortised prime cost of a credit as of the accounting date, which include principal debt (principal of credit), accrued and unpaid interests on the credit, premium and discount.

Reserves made for possible losses under financial instruments are equal to the amount of the financial instrument depreciation. Reduction of the financial instrument utility (depreciation) is loss of economic benefit in the amount of excess by the asset balance value of the expected reimbursement amount caused by one or several unprofitable events that occurred after the first recognition of such asset and which influence expected cash flows under it.

Creation of reserves is recognition by the Bank of expenses for reflecting the real result of the Bank's activity taking into account the change of its assets or change of credit assets riskiness level.

Assets, impossible to repay are written off at the expense of the relevant reserve for losses from depreciation after completion of all necessary procedures for the asset reimbursement and after recognition of the balance loss amount. For specific categories of financial assets (for example, credits granted to clients), assets, which did not depreciate individually in accordance with the assessments, are assessed additionally in respect to depreciation on the collective basis. Objective evidence of depreciation for the credit portfolio and accounts payable can be the previous experience of the Bank in collection of payments, increase of late payments in the portfolio, as well as noticeable changes in national or local economic conditions connected with failure to comply with terms for payment of accounts payable.

The balance value of a financial asset decreases by the depreciation amount using the reserve account. For financial assets assessed at amortised value, if the amount of loss from depreciation in the next period decreases and this decrease can be referred objectively to the event, which occurred after the depreciation occurrence, the pre-recognized loss from depreciation is written off through profit or loss inasmuch as the balance value of investments as of the date of depreciation reversing does not exceed the amortised value, which would exist if depreciation were not recognized. In case when the available-for-sale asset is considered to be depreciated, the amount, which includes the difference between its initial value (less any principal amount and amortisation) and current fair value, less any loss from depreciation, which was earlier recognized in the Profit and Loss and Other Consolidated Income Statement (Financial Results Statement), is transferred from the capital to the Profit and Loss and Other Consolidated Income Statement (Financial Results Statement).

As to available-for-sale debt securities, losses from depreciation are further written off through profit or loss if increase of the investment fair value can be objectively referred to the event, which occurred after recognition of the loss from depreciation.

Note 4.4. Termination of financial instrument recognition

Financial assets. A financial asset (or when a part of the financial asset or part of a group of similar financial assets is used) is terminated to be recognized when:

- repaid assets or rights to receipt of cash flows from assets otherwise lost their force or the Bank transferred its rights to receipt of cash flows from financial assets or entered into a transfer agreement, and upon that, also transferred mainly all risks and benefits connected with holding of assets or the Bank did not transferred or leave mainly all risks and benefits of holding, but terminated control.

Control is considered to be maintained if a contractor has no practical possibility to completely sell an asset to a non-associated party without making limitations for resale.

Financial liabilities. Financial liability is ceased to be recognized when it is fulfilled, cancelled or its validity term expired.

In case if the existing financial liability is replaced with another one by the same creditor on significantly other terms or considerable corrections are made in conditions of the existing liability, such replacement or correction are considered to be the cease of the first liability recognition and new liability recognition, and the difference of the relevant balance value is recognized in the Profit and Loss Report and another total income (Financial Results Statement).

Note 4.5. Monetary funds and their equivalents

Monetary funds and their equivalents. Monetary funds and their equivalents are assets, which can be converted to cash upon first request. They are characterized by inconsiderable risk of value change. Monetary funds and their equivalents include monetary funds at cash department, balances on correspondent account in the National Bank of Ukraine, which use is not limited, balances on correspondent accounts in other banks and “overnight” deposits in other banks, except security deposits under operations with plastic cards. Monetary funds and their equivalents are accounted at initial and amortised value.

Compulsory reserve in the National Bank of Ukraine. Balances of monetary funds of the compulsory reserve in the National Bank of Ukraine are accounted at their initial value and represent interest compulsory reserve deposits, which cannot be used for financing daily banking operations and, respectively, are not considered to be a component of monetary funds and their equivalents for the purposes of drawing up of the Cash Flow Statement.

Indebtedness of other banks. Indebtedness of other banks is accounted when the Bank gives monetary funds to agency banks to be repaid on an established or determined date; upon that, the Bank, does not intend to conduct trade operations with occurring accounts payable. These accounts payable are not connected with derivative financial instruments and have no market quotations. Indebtedness of other banks is accounted at amortised value.

Note 4.6. Credits and indebtedness of clients

Credits and indebtedness of clients are financial assets, which are not derivative instruments with fixed payments or payments that can be determined and which are not quoted in the active market, except assets classified as other categories of financial assets.

The initial assessment of granted (received) financial assets is performed at fair value plus expenses for an operation, which directly refer to these financial assets. The effective interest rate method is used for further assessment of assets. Internal rate of return is accepted as the effective interest rate for cash flow schedule under a given loan.

The effective interest rate is not used for such financial instruments as “overnight” credits, “overdraft” credits and “revolving credit line”. Commission fees received (paid) under these instruments, which are an integral part of a financial document are recognized as income/losses of future periods and are amortised by the straight-line method onto income (losses) during credit agreement validity.

At the end of each accounting period the Bank assesses whether objective evidence of the credit utility reduction is available or not.

As of the balance date, credits are assessed at amortised value using the effective interest rate when performing discount amortisation (premium) or interest accrual. Profits and losses under such assets are reflected in the Financial Results Statements when writing off or decreasing the credit utility and indebtedness of clients; income is recognized in the process of amortisation.

Restructuring of credits and client indebtedness is the change of considerable conditions under an initial agreement by entering into an additional agreement with a borrower in connection with financial difficulties and necessity of creating favourable conditions for fulfilment by it of asset liabilities.

In all possible cases the Bank tries to restructure credits, for which purpose terms of repayment are prolonged and new terms for credit granting are agreed. As soon as terms for credit granting are revised, the credit is not considered to be delayed any more.

The Bank reflects interest income and losses under credits in book records and amortises the discount (premium) using the effective interest rate. The discount (premium) amount should be completely amortised on the date of the credit repayment/return or till next date of the financial instrument's interest rate revision if it is changed depending on variations of market rates. If the discount (premium) amount under the financial instrument with floating rate is connected with the change of a contractor's credit risk, it is amortised during the expected term of the financial instrument validity.

Note 4.7. Securities in the Bank's portfolio for sale

The Bank refers debt securities, shares and other securities with unfixed profit, which are intended for sale and not classified as trading securities or securities in the Bank's portfolio before repayment to the portfolio for sale, namely: debt securities, which the Bank does not intend and/or has no ability to hold till the date of their repayment or if specific limitations in relation to securities accounting in the portfolio before repayment exist; debt securities, which the Bank is ready to sell in connection with the change of market interest rates or risks, liquidity needs, availability and profitability of alternative investments, sources and terms of financing or foreign exchange risk change; shares and other securities with unfixed profit, which fair value cannot be authentically determined.

The Bank primarily recognizes securities in the portfolio for sale and reflects them on the books at fair value, to which expenses for their purchase operations are added.

Securities in the Bank's portfolio for sale (except securities with unfixed profit, which fair value cannot be authentically determined) are further accounted at fair value. The fair value assessment methods are determined by internal regulatory documents of the Bank.

Shares and other securities with unfixed profit, securities with unfixed profit, which fair value cannot be authentically determined, are accounted at prime cost taking into account the utility reduction.

Interest revenues under debt securities in the portfolio for sales are recognized using the effective interest rate revalue, but not less than once per month in composition of profit or loss. Income from securities with unfixed profit in the form of dividends is recognized by the Bank on the date when the right to its receipt is established.

In 2012, in connection with the decision made by the Bank on expediency of early submission for redemption of registered interest-bearing bonds of an emitter, securities held in the portfolio before repayment were transferred to the portfolio for sale at fair value.

Results of trade of available-for-sale securities are reflected in the Profit and Loss and Other Consolidated Income Statement (Financial Results Statement).

Note 4.8 Securities in the Bank's portfolio before repayment

The Bank refers debt securities with fixed payments or payments, which can be determined and have fixed term of repayment, which the Bank intends and can hold before the term of their repayment, to the portfolio before repayment.

The Bank recognizes securities in the portfolio before repayment if:

- the Bank has no financial resources for financing securities before repayment;
- the Bank intends to hold securities during indefinite period of time;
- the Bank is ready to sell securities in case of changes of market interest rates, risks, liquidity needs;
- terms of issue of irredeemable debt securities provide for payment of interests during indefinite period of time (i.e. no fixed repayment term is available);
- emitter has the right to repay securities in the amount, which is considerably lower that their amortised prime cost;
- legal or another limitation, which may hinder from holding by the Bank of securities before repayment, is available;
- during the current financial year or during two previous financial years the Bank sold a considerable amount of securities before the repayment date (50% and more) as compared to the total amount of securities held before repayment.

During the first recognition, the Bank reflects on the books debt securities in the portfolio before repayment at fair value, to which expenses for operations are added.

Debt securities in the portfolio before repayment are further assessed at amortised prime cost using the effective interest rate calculated during the initial security recognition or during the last change of the nominal interest rate and taking into account the utility reduction.

Interest income under debt securities in the portfolio for sale is recognized using the effective interest rate method not less than once per month in composition of profit or loss.

Note 4.9 Property and Equipment

Property and Equipment, other non-current tangible assets are assessed at initial value, which is determined as the actual prime cost in the amount of monetary funds of other assets' fair value paid (transferred), spent for purchase (creation) of Property and Equipment.

Criteria of recognition are as follows: there is a probability that future economic benefits connected with an object will come to the Bank and the prime cost of the object can be authentically assessed.

The initial assessment of items of all groups of Property and Equipment is performed at prime cost, which includes as follows:

- purchase price (including import duties, taxes that are not reimbursed);
- any expenses, which are directly connected with an asset delivery to the location of its placement and

bringing it to the condition required for an operation;

- pre-assessed expenses for demounting, movement of an object and restoration of territory, liabilities assumed by the Bank.

Further assessment of Property and Equipment is performed as follows:

- for Property and Equipment, which refers to the group “buildings, structure and driving devices” – at re-assessed amount (which is the fair value) minus any further accumulated amortisation and further accumulated expenses from the utility value reduction;
- for all other Property and Equipment – at prime cost minus any accumulated amortisation and any accumulated losses from the utility reduction.

The last appraisal of real estate held by the Bank was performed as of 31.12.2012 with involvement of professional appraisers; upon that, two methodical approaches were used: comparison and profit approach.

Amortisation for all groups of Property and Equipment is accrued using the straight line method during the whole period of their operation in accordance with the following standards:

	Value-added use term, years
Buildings, premises and other structures	25
Cell phones, uninterruptable power supplies	3
Modems, other household equipment and equipment	4
Furniture, safety equipment, illumination and sign boards, copying and duplicating equipment, computers and office machines, household equipment, telephones and telefaxes, PABX, accounting machines, cash equipment	5
Transport vehicles	7
Boxes (depositories) for cash	20
Improvement of leased property	for the term of a property lease agreement validity

Amortisation of non-current tangible assets of low value is performed in the first month of an object use in the amount of 100 percent of its value. Land has unlimited term of operation and thus, it is not amortised.

The amortisation accrual method is revised annually. Results of its revision are taken into account as the accounting assessment revision. Herewith, amortisation deductions of current and future periods are subjected to correction.

In 2012 and 2011, the Property and Equipment amortisation methods were not changed.

Term of beneficial use is calculated based on expected term of an asset use, expected physical wear and tear and obsolescence, technical and commercial wear, as well as legal and other similar limitations of the asset use. The beneficial use term is revised once per year.

In 2012 and 2011, the beneficial use terms were not changed.

Re-assessment of Property and Equipment is performed on the basis of a decision made by the Management Board of the Bank. In 2012 and 2011, no re-assessment of Property and Equipment value was performed.

For the purpose of determination of losses from utility loss, balance value of Property and Equipment is revised regularly in order to determine possible excess by the balance value of the reimbursement value. If the balance value of the asset exceeds the expected reimbursement value, it is decreased to the reimbursement value.

No decrease of Property and Equipment utility value occurred in 2012 and 2011.

Note 4.10. Intangible assets

Intangible assets – non-monetary assets, which have no physical subject and can be identified, i.e. can be detached or separated from the Bank or which occur as a result of contractual or other legal rights (depending on the fact whether they can be detached). Intangible assets are recognized only when there is a probability that future economic benefits referring to an asset will be received by the Bank and prime cost of the asset can be authentically assessed.

Criteria of recognition are as follows: intangible assets are recognized only when there is a probability that future economic benefits referring to an asset will be received by the Bank and prime cost of the asset can be authentically assessed.

At the moment of the first recognition intangible assets of all classes are assessed at prime cost. Next assessment is performed at prime cost with deduction of accumulated amortisation and accumulated losses from the utility reduction.

Amortisation of intangible assets is accrued using the straight line method during the period of their operation in accordance with the following standards:

	Value-added use term, years
Use rights (except software use rights)	10
Trade mark	10
Other intangible assets	10

The term of beneficial use and amortisation method are revised once per year. The term of useful operation is determined for each asset and depends on type of intangible assets.

In 2012 and 2011, the amortisation norms and beneficial use terms of intangible assets were not changed.

Re-assessment of intangible assets is performed on the basis of a decision made by the Management Board of the Bank. In 2012 and 2011 the re-assessment of intangible assets value was not performed.

For the purpose of determination of losses from utility loss, balance value of intangible assets is revised regularly in order to determine possible excess by the balance value of the reimbursement value. If the balance value of the asset exceeds the expected reimbursement value, it is decreased to the reimbursement value.

No decrease of intangible assets utility was performed in 2012 and 211.

Note 4.11. Operating lease (rent), under which the Bank is a lessor and/or lessee

Operating lease (rent) is an economic operation of the Bank, which provides for transfer to a leaseholder of fixed assets purchased or produced by a lessor on the terms, which differ from those provided by financial leasing (rent).

When the Bank is a leaseholder under an operating lease agreement, rent payments are recognized as expenses on the straight line basis during the rent period. When the Bank is a lessor, income under operating lease agreements is recognized on the straight line basis during the term of the relevant rent agreement validity.

Losses of the Bank as the lessee for improvement of an operating lease (rent) object (upgrading, modification, additional construction, additional equipage, reconstruction, etc.), which led to increase of future economic benefits that were initially expected on the books as capital investments, were reflected on the books as capital investments to creation (construction) of other non-current tangible assets. Losses for maintaining objects of non-current assets received for operating lease (rent) are reflected in article "Administrative and Other Operating Expenses" of the Profit and Loss and Other Consolidated Income Statement (Financial Results Statement).

In 2012 and 2011, the Bank received objects for operating lease (rent), in particular, non-residential premises for arranging the Bank's departments.

No operating lease agreements as the lessor were concluded by the Bank in 2012 and 2011.

Note 4.12. Borrowed funds

The Bank refers funds of banks, other financial institutions, funds of clients (current and time) and financial liabilities under securities to composition of borrowed funds.

The Bank initially assesses and reflects financial liabilities on the books at fair value increased by the amount of expenses for operations.

After initial recognition the Bank reflects financial liabilities on the books per each next date of balance at amortised prime cost.

Current funds of clients are accounted at prime cost.

The Bank recognizes interest expenses under financial liabilities on the books using the effective interest rate.

The Bank stops recognizing a financial liability or its part on the books if such liability was repaid or the term of its fulfilment expired.

The Bank did not issue own debt securities during 2012.

Note 4.13. Reserves under liabilities

Reserves under liabilities are recognized when the Bank has a current or constructive liability, which occurred as a result of last events, and when it is possible that use of resources implementing specific economic benefits is required for this liability repayment; besides that, the amount of such liabilities can be authentically assessed.

Reserves under conditional liabilities are assessed in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, which requires the use of management assessment and judgement.

Conditional liabilities are not recognized in the Financial Position (Balance) Statement, but are disclosed in notes to financial statements, except cases when probability of resources withdrawal as a result of repayment is insignificant.

A conditional asset is not recognized in the Financial Position (Balance) Statement, but is disclosed in notes to financial statements in case when there is a probability of economic benefits receipt.

Note 4.14. Profit tax

Profit tax expenses of the Bank are formed as the amount of current tax expenses (current profit tax) calculated on the basis of taxable profit in accordance with the tax legislation rules and deferred tax expenses/income (deferred profit tax). Deferred profit tax occurs as a result of deferred tax assets and/or deferred tax liabilities recognition in profit or loss.

Deferred tax liabilities are recognized in relation to all taxable temporary differences, except cases when such difference occurs from the first recognition of an asset or liability. A deferred tax asset is recognized in relation all taxable temporary differences to be deducted to such an extent, in which it is probable that the taxable profit will be received and to which the temporary difference will be applied, except situations when the deferred tax asset occurs from the initial recognition of the asset or liability.

Receipt of the sufficient taxable profit is probable when the deferred tax asset can be charged against the deferred tax liability, which refers to the same tax liability and which will be restored in the same period as the asset or in the period, in which the loss occurring from the asset can be referred to the previous or next period. In cases when there are no deferred tax liabilities for the deferred tax asset charge, the asset is reflected to the extent, in which the sufficient taxable profit may in future periods.

The deferred tax is calculated at tax rates, which as expected will be applied in the period of relevant assets sale or repayment.

Sale of temporary differences is expected in next accounting periods depending on the term of indemnification or repayment of relevant assets and liabilities.

Deferred tax assets and deferred tax liabilities on profit tax are mutually accounted and reflected on net basis in the Financial Position (Balance) Statement because the Bank has the fixed legal right to charge current tax assets to the profit tax at the account of current tax liabilities.

As to determination of the profit tax, the provisions of the Tax Code of Ukraine dated 2 December 2010 No. 2755-VI and other regulatory legal acts of the legislation of Ukraine, which were amended during the accounting period by making relevant amendments, were in force.

Calculation of the current and deferred profit tax was made based on the taxation rate, namely: from 1 January 2011 to 31 March 2011 at a rate of 25%, from 1 April 2011 – at a rate of 23%, from 1 January 2012 to 31 December 2012, inclusive - at a rate of 21%, from 1 January 2013 to 31 December 2013 - at a rate of 19%, and from 1 January 2014 - at a rate of 16%.

The data on the profit tax are given in Note 35 "Expenses for profit tax".

Note 4.15. Statutory capital and share premium

The statutory capital of the Bank is paid and registered subscribed capital. Formation and increase of the statutory capital can be effected exclusively by monetary contributions. The statutory capital of the Bank is divided into ordinary registered shares.

Increase (decrease) of the statutory capital of the Bank is performed in compliance with the procedure set by the National Commission on Securities and Stock Exchange. According to the Law of Ukraine "On Banks and Banking Activity" and "On Joint-Stock Companies" and Articles of Association of the Bank, the decision on issues of shares is made by the General Meeting of the Bank's Shareholders.

Note 4.16. Recognition of income and expenses

Income is recognized by the Bank using the accrual method and is evaluated at fair value of compensation, which would be received or is to be received. The Bank receives income in the form of:

- interests (granted credits, deposits, securities, etc.) recognized using the effective interest rate method;
- payment for opening and maintaining accounts of natural persons and legal entities, including correspondent banks;
- commission fees for granting bank guarantees, warranties from behalf of third persons, which provide for fulfilment of liabilities in monetary form; encashment of monetary funds, promissory notes, payment and settlement documents, and cash services for natural persons and legal entities; provision of natural persons and legal entities with special premises or safe deposit boxes available at them for keeping documents and valuables. Income for services rendered is recognized in accounting periods, in which they are rendered;
- income from operating lease recognized by the Bank on straight line basis during the lease period. Interest income and expenses under all debt instruments are reflected in accordance with the accrual method using the effective interest rate method.

This method is included into composition of interest income and expenses and divides all commission fees paid or received by agreement parties during the whole term of validity; they are an integral part of the effective interest rate, expenses under a transaction, as well as all premia and discounts.

Commission fees being an integral part of the effective interest rate include commission fees received or paid in connection with formation or purchase of a financial asset or issue of a financial liability (for example, commission fees for assessment of solvency, assessment or accounting of guarantees or pledge, regulation of conditions for an instrument issue and processing of documents under a transaction). Commission fees under liabilities on credit arrangement at market interest rates received by the Bank are an integral part of the effective interest rate if there is a probability that the Bank will enter into a specific credit agreement and will not plan to sell the credit during a short period of time after its arrangement. The Bank does not refer liabilities on credit arrangement to financial liabilities if they are reflected at fair value through a financial result.

If any doubts related to a possibility of repayment of credits or other debt instruments appear, their value is decreased to the current value of expected cash flows, after which the interest rate is accounted on the basis of the effective interest rate under this instrument, which was used for assessment of the loss from depreciation. All other payments, commission fees and other income and expenses are accounted, as a rule, using the accrual method depending on the level of specific operation completion, which is determined as a part of actually rendered service in the total scope of services to be rendered.

Income and expenses recognized by the Bank from conduct of operations for their reflection in financial statements are divided into income and expenses received as a result of operating, investment and financial activity of the Bank.

Income/expenses are to be accrued and reflected in the financial statements of the Bank if the following conditions are met:

- as to assets and liabilities – real indebtedness is available;
- as to rendered (received) services – financial result can be assessed authentically and, herewith, there is an agreement on rendering (receipt) of services and/or documents certifying their complete (partial) rendering.

If the above conditions are not complied with, income/expenses are recognized by the Bank at actual receipt/payment of funds.

Note 4.17. Foreign currency revaluation

The functional currency is hryvnia. The Bank reflects all operation in foreign currency after the initial recognition in the functional currency by applying the official foreign exchange rate of the National Bank of Ukraine as of the operation date to the amount in foreign currency. Monetary articles are converted at the final rate at the end of each accounting period; foreign exchange differences, herewith, are recognised in profit or loss. Non-monetary articles assessed at historical prime cost are converted at the foreign exchange rate as of the date of the operation conduct. Non-monetary articles assessed at fair value are converted at the foreign exchange rate as of the fair value determination date.

Profit or losses occurred as a result of foreign currency revaluation was included into the item «Results from Foreign currency revaluation" of the Profit and Loss and Other Consolidated Income Statement (Financial results Statement).

The exchange rates of hryvnia in relation to foreign currencies, at which the assets and liabilities are reflected in the financial statement and which were in force as of 31 December of the relevant years, are as follows:

	31.12.2012	31.12.2011
100 USD	799.3000 UAH	798.9800 UAH
100 EUR	1,053.7172 UAH	1,028.8053 UAH
10 RUB	2.6316 UAH	2.4953 UAH

Note 4.18. Cross charge of assets and liabilities

Cross charge of financial assets and liabilities with further inclusion to the Financial Position (Balance) Statement only of their net amount can be performed only in case of a legally recognized right to cross charge amounts, when one intends to make settlements on the basis of the net amount and simultaneously sell the asset and pay for liabilities.

The Bank did not perform any cross charge of the financial assets and liabilities during 2012.

Note 4.19. Information according to operating segments

In order to determine the accounting segments the Bank uses the following procedure:

1) it identifies operating segments based on the Bank's management statements system;
2) it determines whether identified segments comply with all group criteria set forth in IFRS 8, *Operating segments*;
3) determines whether operating segments comply with quantitative thresholds set forth in IFRS 8, *Operating segments*;
4) information about operating segments, which do not comply with quantitative thresholds is combined with information about other operating segments, which do not comply with quantitative thresholds if operating segments have similar economic characteristics and common majority of group criteria;
5) additional operating accounting segments are determined (if even they comply with group criteria), if total external income reflected in the statements under operating segments is less than 75% of the Bank income;
6) remaining segments are combined in the category "all other segments".

Segments of activity are reflected by the Bank separately if the major part of its income is created from the banking activity beyond a segment and its indices simultaneously comply with one of the following criteria:

- income under a segment is 10 % or more of total income (including banking activity within the segment) of all Bank's segments;
- financial results (profit or loss) of a segment is less than 10% of the bigger of two absolute values - total amount of income or total amount of loss of all Bank's segments;
- segment assets amount to 10 % or more of total assets of the Bank.

Taking into consideration the internal organizational structure and internal accounting system the Bank defines the following operating segments: services for corporate clients, services for natural persons, inter-bank operations, other segments and operations.

Corporate clients include legal entities and natural persons - entrepreneurs, including: industrial entities, agricultural entities, non-banking financial institutions (insurance companies), entities in the field of trade and services. Operations with securities, including securities of the National Bank of Ukraine are also included into this operating segment.

The following refers to natural persons: natural persons – employees of the Bank and employees of entities who are corporate clients of the Bank, other natural persons. This operating segment also includes operations on currency purchase/sale, operations with payment cards.

The following refers to inter-bank operations: operation with funds raising in the inter-bank market, operations on use of funds in the inter-bank market, SWOP operations.

Other operations include operations under accounts upon request to the National Bank of Ukraine and other banks. Income and expenses of the operating segments form all income and expenses performed during the accounting period and which can be directly referred to the segment.

Reference of income and expenses to relevant subdivisions with further reference with the help of the management accounting date. Reference assets and liabilities to the operating segments of activity is performed in a similar way.

Assets used by the segment in its activity and which can be directly referred to this segment or reasonably divided into this segment are referred to the segment assets. The segment assets do not include assets on profit tax.

Liabilities occurred as a result of the segment activity and which can be directly referred to this segment or reasonably divided into this segment are referred to the segment liabilities.

As of the end of 2012 the Bank did not make calculations of pricing between segment operations.

The Bank fulfils its activity in one geographical segment on the territory of Ukraine and thus, no statement on geographical segments is submitted.

Information about statement segments of the Bank is reflected in Note 26 "Operating Segments".

Note 4.20. Effect of changes in the accounting policy, accounting valuations and corrections of significant errors

The Bank submitted the statements for the previous periods which ended by the year that ended on 31 December 2011 in accordance with the regulatory requirements for accounting and reporting organization in bank institutions, set by the rules of the National Bank of Ukraine in the national currency.

The financial statements of the Bank for the year 2012 are drawn up in accordance with requirements of the IFRS in the national currency of Ukraine.

Note 4.21. Basic accounting assessments and judgements used during use of the accounting policy principles

During preparation of the financial statements n accordance with the IFRS the management of the Bank is required to accept assessments and assumptions influencing the amount reflection in the statements. The management makes its assessments and professional judgements on the continuous basis. Such assessments and judgement of the management are based on information, which is available at the Bank as of the date of the financial statements preparation. Respectively, the actual results can differ from such assessments and assumptions. In addition to judgements providing for accounting assessments the management of the Bank also uses professional judgements when using the accounting policy. Professional judgements, which have the most significant influence the amounts reflected in the financial statements and assessments that can result in significant corrections of the balance value of the assets and liabilities during the next financial year include as follows:

Losses from credit depreciation The assessment of provisions for coverage of losses from depreciation requires use of essential professional judgements. The Bank revises regularly its credits for the purpose of assessment in terms of their depreciation. The Bank makes the assessment of provisions for coverage of losses from depreciation for the purpose of maintaining the provision amounts at a level, which is will be sufficient, on the management's opinion, for covering losses incurred in relation to the Bank's credit portfolio. Calculations of provisions for coverage of losses from depreciated credits are based on the authenticity of impairment write-off and expected loss from such write-off. These assessments are performed using the static methods based on historical experience.

The received results are corrected based on professional judgement of the management.

In the Bank's opinion, accounting assessments connected with determination of amounts of provisions for coverage of losses from credit depreciation are the main source of the assessment uncertainty in connection with the fact that: (i) they are especially sensitive to changes from period to period because assumptions on future level of liabilities non-fulfilment and assessment of potential losses connected with depreciation of credits and granted funds is based on the last indices of the Bank activity, as well as (ii) any considerable difference between expected losses of the Bank (reflected in composition of provisions) and actual losses will require the Bank to form reserves, which in case of considerable differences can significantly influence its Profit and Loss Statement (Financial Results Statement) and Financial Position (Balance) Statement in future periods.

The Bank uses professional judgements of the management when estimating the amount of any loss from depreciation in cases when a borrower has financial difficulties and a limited quantity of available sources of historical information connected with similar borrowers exists. Similarly, the Bank evaluates changes of future cash flows based on results of previous activity, client's behaviour in the past, information available for monitoring, which indicates negative changes in solvency of borrowers in composition of a group, as well as national or local economic situation connected with failure to fulfil liabilities related to assets in the group composition. The management uses assessments based on the historical experience related to incurrence of losses for assets having credit risk characteristics and objective evidence of depreciation, which are similar to the group of similar credits. The Bank's management uses professional judgement for correcting information available for monitoring for a group of credits in order to reflect current circumstances that are not reflected in historical data.

Amounts of provisions for coverage of losses from depreciation of financial assets were determined in the financial statements based on the existing economic and political conditions. The Bank cannot predict changes, which will take place in the economic and political situation in Ukraine and influence these changes will have on the sufficiency of the provisions for coverage of losses from depreciation of financial assets in future periods.

Deferred tax assets are recognized for all temporary differences referring to tax expenses, to the extent, in which it is probable to receive taxable profit, at the expense of which these temporary differences referring to expenses for the taxation purposes can be sold. The authenticity assessment is based on the management forecasts of the future taxable profit and supplemented by subjective judgements of the Bank's management. Based on the assessments made according to the result of activity for the year 2012 and taking into consideration plans regarding to the next development, the Bank determined deferred tax assets to the extent, in which as expected tax revenues will be sufficient in future periods.

Activity continuity – these financial statements were prepared based on the assumption that the Bank is able to continue its activity on the continuous basis in near future.

Provisions for coverage of losses from financial guarantees and other conditional liabilities are assessed in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, which requires use of the management assessment and judgement.

Tax legislation. As a result of availability in the Ukrainian legislation, in particular, in tax legislation, of the provisions allowing more than one variant of interpretation, as well as a result of practice formed in generally unstable economic environment through arbitrary interpretation by tax authorities of different aspects of economic activity, the Bank will be probably forced to recognize additional liabilities, fines and penalty if the tax authorities will question the specific interpretation established on the Bank management's judgement. Tax records remain open for revision by tax authorities within three years.

Fair value of real estate – real estate occupied by the Bank undergoes regular appraisal for re-valuation determination. Such re-valuation is based on the appraisal results of an independent appraisal company, which used professional judgement and appraisals for determining analogues of buildings, term of assets operation and income capitalization rates in the course of the appraisal.

Fair value of mortgaged property. When determining the value of mortgaged property, the assessment value, which was based on professional judgement of assessment specialists, was used. The appraisal of the mortgaged property value requires formation of judgements and use of assumptions regarding comparison of property objects and other factors. Based on the above stated the provision for credit depreciation can be influenced by use of assessment value of mortgaged property. When creating provisions for coverage of losses from credit depreciation the Bank calculated the current value of pre-assessed future cash flows from the credit secured by pledge, which can be a result of the debtor's deprivation of the right to redeem the property mortgaged by it taking into account the mortgage liquidity and deduction of expenses for the mortgage maintenance and sale independent of a probability of the debtor's deprivation of the right to redeem the property mortgaged by it. Types of mortgages, which were taken into account for calculation of future cash flows under the credit, are determined by the Bank taking into account the requirements of “International Convergence of Capital Assessment and Capital Standards (Basel II)”.

Initial recognition of operations with associated persons. In the course of ordinary activity the Bank conducts operations with associated persons. IAS 39 requires accounting of financial instruments at the initial recognition at fair value. In the absence of the active market of such operations, professional judgement is used for determination whether such operation were conducted at market or non-market prices and rates or not. The grounds for such judgements is pricing of similar financial instruments and operations with them, including analysis of the effective rate and parameters of concluded transactions.

Presentation of each article of other total income in the Capital Change Statement. The revised IAS 1 effective of 1 January 2009 requires business entities to submit verification of balance value for each component of the capital at the beginning and end of the period, disclosing each change separately. This may include representation of financial result and each article of other types of income in the Capital Change Statement. The management analyzed the level of essentiality and came to the conclusion that it is sufficient for the Bank to submit such information only in the Total Income Statement and that repetitions of the same information in the Capital Change Statement is not an essential omission of information.

When making this conclusion the management has considered the examples contained in the recommendations on implementation added to the revised IAS 1.

Note 5. Transition to New and Revised Standards

New standards, amendments and interpretations published by the IASB, but which did not come into effect for the financial year that ends on 31 December 2012 and which were not used by the Bank

Changes to IAS 19, Payments to employees (issued in July 2011) – key changes aimed at exclusion of the “corridor principle”, modifications in accounting of payments connected with dismissal and improvement of requirements for recognition and disclosure for fixed payment systems. Changes are effective for annual statements that start on or after 1 January 2013.

Revised IAS 27 Separated Financial Statements (issued in May 2011) – a revised and renamed standard now concerns only requirements for separate financial statements, which in major part were transferred as unchanged from IAS 27, *Consolidated and Separate Financial Statements*. This standard mainly requires a subject to account investments to subsidiaries, associates and jointly controlled entities either at prime cost or in accordance with IFRS 9, *Financial Instruments*. It also contains requirements for recognition of dividends, specific reorganizations of groups and includes several requirements for disclosures. It is effective for annual statements that start on or after 1 January 2013.

Revised IAS, Investments to Associates and Joint Ventures (issued in May 2011) – a revised and renamed standard determines accounting of investments to associates and sets requirements for using the method of capital subscription when accounting investments to associates and joint ventures. The standard contains the meaning of “significant influence”, describes the procedure of using the method of capital subscription (as well as some exclusions, when the method of capital subscription is not used) and sets the procedure of testing deprecation of investments to associated and joint ventures. It is effective for annual statements that start on or after 1 January 2013.

Changes to IAS 32 named Cross Charge of Financial Assets and Financial Liabilities (issued in December 2011) – changes relate to disadvantages of the current practice of using cross charge criteria in IAS 32 and lies in explanation of the essence of the phrase "now has the legal right to cross charge" and that some systems of gross settlements can be considered to be equivalent to net settlements. They are effective on or after 1 July 2014.

Changes to IFRS 7 names Disclosure – Cross Charge of Financial Assets and Financial Liabilities (issued in December 2011) – changes allow investors to remove differences in requirements for statements in relation to cross charges under IFRS and US GAAP and introduce new disclosures, which provide better information about coping with credit risks by companies, including in relation to relevant mortgage or received security. They are effectible for annual periods on or after 1 January 2013.

IFRS 9, Financial Instruments (issued in November 2009 and amended in October 2010) – this standard implements new requirements for classification and assessment of financial assets and financial liabilities and their re-recognition. IFRS 9 requires that all financial assets being within IFRS 39, *Financial Instruments: Recognition and Assessment* are further assessed at amortised value or fair value. In particular, debt investments held within a business model for the purpose of cash flows receipt and those having contractual cash flows, which are only payments of a specific amount and interests on it, are generally assessed at amortised prime cost as of the end of next accounting periods. The most significant influence in IFRS 9 in relation to classification and assessment of financial liabilities concerns accounting of fair value of a financial liability (referred at fair value to profit or loss) through changes in credit risk of this liability. In particular, in IFRS 9, financial liabilities referred at fair value to profit or loss, amount of change in credit risk of this liability is recognized in composition of another consolidated income, except cases when recognition of the effect from changes of the financial liability's credit risk in another consolidated income would create or increase inconsistency in reflection of the profit or loss in the accounting. Changes in fair value referred to the financial liability's credit risk are not further classified in profit or loss. Nowadays, in accordance with requirements of IFRS 39 the whole amount of change of the financial liability's fair value is referred at fair value to profit or loss. Conditions for refusal from recognition (write-off from balance) are transferred from IAS 39 almost unchanged. IGRS 9 is effective for annual periods on or after 1 January 2015 (early use if allowed).

IFRS 10, Consolidated Financial Statements (issued in May 2011) - a new standard determines principles of control, establishes a method of determination whether an investment subject is under control of investor or not, and respectively, whether the investor should consolidate the investment subject, and also established principles of consolidated financial statements preparation. It proposes a unique model of consolidation, which determines control as the basis of consolidation for all entities, when control is dependent on whether investor has ascendance over the investment object, rights and different income from participation in the investment object and its ability to use power over the investment object to influence the income amount. IFRS 10 replaces the parts of IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation - special purpose entities" and comes in force for annual periods starting 1 January, 2013 or afterwards.

IFRS 11, "Joint Arrangements" (issued in May 2011) requires from a party, a new standard requires from a party, which enters into a contract agreement, to determine of the agreement and assessment its rights and responsibilities under this agreement and bear the responsibility according to the rights and liabilities determined by this contract agreement. Contract agreements are entered for fulfilling joint activity or creating joint ventures:

- in joint activity parties have rights to assets and responsibilities as to liabilities, which relate to this agreement. Subjects of joint activity acknowledge their assets, responsibilities, income and expenses in accordance with their share in joint activity.

- in a joint venture, parties have rights to net assets of the entity. A participant of joint venture applies the method of equity swap for recording its investments to the joint venture according to IAS 28

Investments in Associates and Joint Ventures (2011). As against IAS 31 use of proportionate consolidation method is not allowed.

IFRS 11 comes in force for annual periods, which start 1 January 2013 or afterwards.

IFRS 12, Disclosure of Interests in Other Entities (issued in May 2011) is a new standard, which combines, improves and replaces requirements for disclosure as to subsidiaries of contract agreements, associates and companies that are not subjected to consolidation. It requires extended disclosure of information, which will enable users of financial statements to assess the nature of participation in other entities and risks connected with this, as well as this participation impact on financial position, financial results and cash flows of the company. IFRS 12 comes in force for annual periods, which start 1 January 2013 or afterwards.

IFRS 13, Fair Value Assessment (issued in May 2011) is a new standard, which determines the notion of fair value sets the basis for fair value assessment on one IFRS and requires disclosing fair value assessment. IFRS 13 is used if other IFRS require or allow fair value assessment. It does not introduce any new requirements for assessment of assets or liabilities at fair value or change of articles assessed at fair value in IFRS and it does not show how fair value changes should be represented. New requirements come in force for annual periods, which start 1 January 2013 or afterwards. Currently, the Bank measures possible influence of these amendments on financial statements.

Other revised standards and interpretations: amendments to IFRS 1, *First-time Adoption of International Financial Reporting Standards* which relate to accounting of credits from government, amendments to IAS 16 *Property and Equipment*, which relate to classification of maintenance equipment, amendments to IAS 32 *Financial Instruments:* Presentation, relating to disclosure of information on segments of total assets for the purpose of promotion of compliance with requirements of IFRS 8, *Operating Segments,* changes to IFRS 10, *Consolidated Financial Statements,* IFRS 11, *Joint Arrangements and IFRS 12, Disclosure of Interests in Other Entities* according to which requirement for submission of corrected comparison information is limited only by previous comparison period of change to *IFRS 11, IFRS 12 and IAS 27* release "investment entities" (as it is determined in the standards) from consolidation of separate subsidiaries.

Individual standards and interpretations that became compulsory for use in accounting periods on or after 1 January 2012

Changes to IAS 1, Presentation of Financial Statements (issued in June 2011) – these changes improve presentation of other total income components. Subjects mainly have to group articles presented in another total income depending on their next reclassification of profits and expenses. These changes come in force for annual periods, which start 1 January 2012 or afterwards.

Changes to IAS 12 named as Deferred Tax: Recovery of Underlying Assets (issued in December 2010) – this amendment introduced the assumption that book value of an asset being assessed using the fair value model in IAS 40 Investment Property will be usually reimbursed at the expense of sale.

The changes in IAS 12 also include instructions for non-depreciable assets, which were previously included into SIC 21 (Income Taxes - Recovery of Revalued Non-Depreciable Assets) and removed, respectively. The changes are effective for annual periods on and after 1 January 2012.

Unless otherwise is stated, no significant influence of these new standards and interpretations on financial statements of the Bank is expected.

Note 6. Monetary Funds and Their Equivalents

Table 6.1. Cash and cash equivalents

(thousand UAH)

Line	Item	2012	2011	2010
1	Cash	11,110	5,725	8,187
2	Funds in the National Bank of Ukraine (except compulsory reserves)	12,910	1,452	4,915
3	Correspondent accounts, deposits and overnight credits in banks of:	142,871	86,625	99,213
3.1	Ukraine	137,730	86,349	99,213
3.2	other countries	5141	276	-
4	**Total monetary funds and their equivalents**	**166,891**	**93,802**	**112,315**

All funds balances of the Bank are on the correspondent accounts in other banks, placed in banks-contractors of investment class and other banks, which are not bankrupts or liquidated, which have no temporary administration or are not in offshore zones.

Note 7. Funds in Other Banks

Table 7.1. Funds in other banks Table 7.2. Analysis of credit quality in other banks for the year 2012

(thousand UAH)

Line	Item	2012	2011	2010
1	Deposits in other banks:	-	10,012	30,033
1.1	short-term deposits	-	10,012	30,033
2	Credits granted to other banks:	18,390	20,387	54,324
2.1	short-term	8,000	-	54,324
2.2	long-term	10,390	20,387	-
3	Reserve for funds depreciation in other banks	(101)	(263)	(534)
4	**Total funds in other banks minus reserves**	**18,289**	**30,136**	**83,823**

Table 7.2. Analysis of credit quality of funds in other banks for the year 2012

(thousand UAH)

Line	Item	Credits	Total
1	Funds in other banks before reserves deduction	18,390	18,390
1	Reserve for funds depreciation in other banks	10,390	10,390
1.1	Funds in other banks before reserves deduction	8,000	8,000
2	Reserve for funds depreciation in other banks	18,390	18,390
3	Funds in other banks before reserves deduction	(101)	(101)
4	**Total funds in other banks minus reserves**	**18,289**	**18,289**

Table 7.3. Analysis of credit quality in other banks for the year 2011

(thousand UAH)

Line	Item	Deposits	Credits	Total
1	Undue and nondepreciated:	10,012	20,387	30,399
1.1	in 20 largest banks	10,012	20,387	30,399
2	Funds in other banks before reserves deduction	10,012	20,387	30,399
3	Reserve for funds depreciation in other banks	(87)	(176)	(263)
4	**Total funds in other banks minus reserves**	**9,925**	**20,211**	**30,136**

Table 7.4. Analysis of credit quality in other banks for the year 2010

(thousand UAH)

Line	Item	Deposits	Credits	Total
1	Funds in other banks before reserves deduction	10,008	23,517	33,525
1.1	Reserve for funds depreciation in other banks	10,008	-	10,008
1.2	Funds in other banks before reserves deduction	-	23,517	23,517
2	Reserve for funds depreciation in other banks	20,025	30,807	50,832

3	Funds in other banks before reserves deduction	30,033	54,324	84,357
4	Reserve for funds depreciation in other banks	(87)	(447)	(534)
5	**Total funds in other banks minus reserves**	**29,946**	**53,877**	**83,823**

Table 7.5. Analysis of change of provision for funds depreciation in other banks

(thousand UAH)

Line	Reserve Flow	2012	2011
1	Reserve for depreciation as of beginning of period	(263)	(534)
2	(Increase)/decrease of reserve for depreciation during period	162	271
3	**Reserve for depreciation as of end of period**	**(101)**	**(263)**

Note 8. Credits and Indebtedness of Clients

Table 8.1. Credits and indebtedness of clients

(thousand UAH)

Line	Item	2012	2011	2010
1	Credits granted to governmental and local authorities	-	-	-
2	Credits granted to legal entities	144,645	114,282	70,310
3	Mortgage credits of natural persons	189	310	119
4	Credits granted to natural persons for current needs	1740	1623	277
5	Reserve for credit depreciation	(4856)	(4941)	(7048)
6	**Total credits minus reserves**	**141,718**	**111,274,**	**63,658**

No indebtedness of clients under credits on repo operations as of 31.12.2012, 31.12.2011 and 31.12.2010 is available.

Table 8.2. Analysis of change of reserves for indebtedness under credits for the year 2012

(thousand UAH)

Line	Reserve Flow	Credits granted to legal entities	Mortgage credits of natural persons	Credits granted to natural persons for current needs	Total
1	Balance as of beginning of period	(4,828)	(12)	(101)	(4,941)
2	(Increase)/decrease of reserve for depreciation	(3,433)	4	(56)	(3,485)
3	Write-off of uncollectable accounts at expense of reserve	3,570	-	-	3,570
4	**Balance as of end of period**	**(4,691)**	**(8)**	**(157)**	**(4,856)**

_**Table 8.3. Analysis of change of reserves for indebtedness under credits for the year 2011**

(thousand UAH)

Line	Reserve Flow	Credits granted to legal entities	Mortgage credits of natural persons	Credits granted to natural persons for current needs	Total
1	Balance as of beginning of period	(7,028)	(4)	(15)	(7,047)
2	(Increase)/decrease of reserve for depreciation during period	(696)	(8)	(86)	(790)
3	Write-off of uncollectable accounts at expense of reserve	2,896	-	-	2,896
4	**Balance as of end of period**	**(4,828)**	**(12)**	**(101)**	**(4,941)**

Table 8.4. Structure of credits by types of economic activity

(thousand UAH)

Line	Type of Economic Activity	2012		2011		2010	
		Amount	%	Amount	%	Amount	%
1	Production	26,876	18%	18,640	16%	19,986	28%
2	Operations with real estate, rent, engineering and rendering of services	983	1%	-	-	-	-
3	Trade; repair of cars, household appliances and personal demand items	44,965	31%	41,689	36%	26,596	38%
4	Agriculture, hunting, forestry	53,106	36%	36,288	32%	9,581	14%
5	Construction	2,172	2%	3,154	2%	595	1%
6	Production of food stuffs, beverages	14,576	10%	9,514	8%	7,291	10%

Table 8.5. Data on credits in terms of security types for the year 2012

(thousand UAH)

Line	Item	Credits granted to legal entities	Mortgage credits of natural persons	Credits granted to natural persons for current needs	Total
1	Unsecured credits	-	-	271	271
2	Credits secured with:	144,645	189	1,469	146,303
2.1	monetary funds	6,127	-	29	6,156
2.2	securities	2,998	-	-	2,998
2.3	real estate	5,372	189	130	5,691
2.3.1	including that of residential purpose	601	189	89	879
2.4	guarantees and warranties	-	-	129	129
2.5	other assets	130,148	-	1,181	131,329
3	**Total credits and indebtedness of clients without reserves**	**144,645**	**189,**	**1,740**	**146,574**

Table 8.6. Data on credits in terms of security types for the year 2011

(thousand UAH)

Line	Item	Credits granted to legal entities	Mortgage credits of natural persons	Credits granted to natural persons for current needs	Total
1	Unsecured credits	-	-		259
2	Credits secured with:	114,282	310		1,364
2.1	monetary funds	7,533	-		3
2.2	securities	2,561	-		
2.3	real estate	54,219	310		660
2.3.1	including that of residential purpose	3,380	310		118
2.4	guarantees and warranties	-	-		27
2.5	other assets	49,969	-	674	50,643
3	**Total credits and indebtedness of clients without reserves**	**114,282**	**310**	**1,623**	**116,215**

Table 8.7. Data on credits in terms of security types for the year 2010

(thousand UAH)

Line	Item	Credits granted to legal entities	Mortgage credits of natural persons	Credits granted to natural persons for current needs	Total
1	Unsecured credits	-	-	10	10
2	Credits secured with:	70,310	119	267	70,696
2.1	monetary funds	1,067	-	-	1,067
2.2	securities	2,125	-	-	2,125
2.3	real estate	41,394	119	149	41,662
2.3.1	including that of residential purpose	610	119	149	878
2.4	guarantees and warranties	-	-	8	8
2.5	other assets	25,724	-	110	25,834
3	**Total credits and indebtedness of clients without reserves**	**70,310**	**119**	**277**	**70,706**

Table 8.8. Analysis of credit quality of credits for the year 2012

(thousand UAH)

Line	Item	Credits granted to legal entities	Mortgage credits of natural persons	Credits granted to natural persons for current needs	Total
1	**Undue and undepreciated:**	**139,650**	**189,**	**1,740**	**141,579**
1.1	credits to small-scale entities	139,650			139,650
1.2	other credits to natural persons		189	1,740	1,929
2	**Depreciated credits assessed on individual basis:**	**4,995**	**-**	**-**	**4,995**
2.1	with payment delay up to 31 days	2,935	-	-	2,935
2.2	with payment delay from 32 to 92 days	513	-	-	513
2.3	with payment delay more than 366 (367) days	535	-	-	535
2.4	other credits (without payment delay)	1012	-	-	1012
3	**Total amount of credits before reserves deduction**	**144,645**	**189**	**1,740**	**146,574**
4	Reserve for credit depreciation	(4,691)	(8),	(157)	(4,856)
5	**Total credits minus reserves**	**139,954**	**181**	**1,583**	**141,718**

Table 8.9. Analysis of credit quality of credits for the year 2011

(thousand UAH)

Line	Item	Credits granted to legal entities	Mortgage credits of natural persons	Credits granted to natural persons for current needs	Total
1	**Undue and undepreciated:**	**105,355**	**310**	**1,623**	**107,288**
1.1	credits to small-scale entities	105,355			105,355
1.2	other credits to natural persons		310	1623	1933
2	**Depreciated credits assessed on individual basis:**	**8,927**	**-**	**-**	**8,927**
2.1	with payment delay from 184 to 365 days	564	-	-	564

2.2	with payment delay for more than 366 (367) days	6,637	-	-	6,637
2.4	other credits (without payment delay)	1,726	-	-	1,726
3	**Total amount of credits before reserves deduction**	**114,282**	**310**	**1,623**	**116,215**
4	Reserve for credit depreciation	(4,828)	(12)	(101)	(4,941)
5	**Total credits minus reserves**	**109,454**	**298**	**1,522**	**111,274**

Table 8.10. Analysis of credit quality of credits for the year 2010

(thousand UAH)

Line	Item	Credits granted to legal entities	Mortgage credits of natural persons	Credits granted to natural persons for current needs	Total
1	**Undue and undepreciated:**	**23,359**	**119**	**273**	**23,751**
1.1	credits to large-scale and medium-scale companies	16,761	-	-	16,761
1.2	credits to small-scale entities	6,598	-	-	6,598
1.3	other credits to natural persons	-	119	273	392
2	**Depreciated credits assessed on individual basis:**	**46,951**	**-**	**4**	**46,955**
2.1	with payment delay from 184 to 365 days	2,650	-	-	2,650
2.2	with payment delay for more than 366 (367) days	9,070	-	-	9,070
2.4	other credits (without payment delay)	35,231	-	4	35,235
3	**Total amount of credits before reserves deduction**	**70,310**	**119**	**277**	**70,706**
4	Reserve for credit depreciation	(7,029)	(4)	(15)	(7,048)
5	**Total credits minus reserves**	**63,281**	**115,**	**262**	**63,658**

Table 8.11 Influence of collateral value on credit quality for the year 2012

(thousand UAH)

Line	Item	Balance Value	Collateral value	Collateral influence
1	Credits granted to legal entities	144,645	335,306	(190,661)
2	Mortgage credits of natural persons	189	580	(391)
3	Credits granted to natural persons for current needs	1,740	2,829	(1,089),
4	**Total credits**	**146,574**	**338,715**	**(192,141)**

Security is accounted at fair value. The Bank acknowledges the fair value and value, at which it evaluates the security when giving consent to its acceptance.

Security is accounted at the value, at which, on the estimator's opinion, it can be exchanged between informed, concerned and independent parties, with deduction of expenses for such operation conduct.

Security accounting is performed at the fair value set by the Bank as the collateral value taking into account pricing tendencies in the markets of relevant property, obsolescence and physical wear and tear of proposed object to mortgage.

Table 8.12. Influence of collateral value on credit quality for the year 2011

(thousand UAH)

Line	Item	Balance Value	Collateral value	Collateral influence
1	Credits granted to legal entities	114,282	248,119	(133,837)
2	Mortgage credits of natural persons	310	580	(270)
3	Credits granted to natural persons for current needs	1,623	3,176	(1,553),
4	**Total credits**	**116,215**	**251,875**	**(135,660)**

Table 8.13. Influence of collateral value on credit quality for the year 2010

(thousand UAH)

Line	Item	Balance Value	Collateral value	Collateral influence
1	Credits granted to legal entities	70,310	108,132	(37,822)
2	Mortgage credits of natural persons	119	434	(315)
3	Credits granted to natural persons for current needs	277	159	118
4	**Total credits**	**70,706**	**108,725**	**(38,019)**

Note 9. Securities in the Bank's Portfolio Before Repayment

Table 9.1. Securities in the Bank's portfolio before repayment

(thousand UAH)

Line	Item	2012	2011	2010
1	Debt securities issued by the NBU	-	-	9,001
2	Bonds of Banks	10,574	-	-
3	Bonds of Entities	15,292	10,034	-
4	Reserve for depreciation of securities in bank's portfolio before repayment	(264)	(163),	-
5	**Total debt securities in bank's portfolio before repayment minus reserves**	**25,602,**	**9,871**	**9,001**

Table 9.2. Analysis of reserve change for securities depreciation in the Bank's portfolio before repayment for the year 2012

(thousand UAH)

Line	Reserve Flow	Bonds of Banks	Bonds of Entities	Total
1	Balance as of beginning of period	-	(163)	(163)
2	(Increase)/decrease of reserve for depreciation during period	(15)	(86)	(101)
3	**Balance as of end of period**	**(15)**	**(249)**	**(264)**

Table 9.3. Analysis of reserve change for securities depreciation in the Bank's portfolio before repayment for the year 2011

(thousand UAH)

Line	Reserve Flow	Bonds of Banks	Bonds of Entities	Total
1	Balance as of beginning of period	-	-	-
2	(Increase)/decrease of reserve for depreciation during period	-	(163)	(163)
3	**Balance as of end of period**	**-**	**(163)**	**(163)**

Table 9.4. Analysis of credit quality of debt securities in the Bank's portfolio before repayment for the year 2012

(thousand UAH)

Line	Item	Bonds of Banks	Bonds of Entities	Total
1	Debt securities undue and undepreciated:	10,575	15,291	25,866
1.1	Large-scale entities	10,575	-	10,575
1.2	Small-scale entities		15,291	15,291
2	Reserve for depreciation of securities in bank's portfolio before repayment_	(15)	(249)	(264)
3	**Total debt securities in bank's portfolio before repayment minus reserves**	**10,560**	**15,042**	**25,602**

Table 9.5. Analysis of credit quality of debt securities in the Bank's portfolio before repayment for the year 2011

(thousand UAH)

Line	Item	Bonds of Entities	Total
1	Debt securities undue and undepreciated:	10,034	10,034
1.1	Large-scale entities	10,034	10,034
1.2	Reserve for depreciation of securities in bank's portfolio before repayment	(163)	(163)
3	**Total debt securities in bank's portfolio before repayment minus reserves**	**9,871**	**9,871**

Table 9.6. Analysis of credit quality of debt securities in the Bank's portfolio before repayment for the year 2010

(thousand UAH)

Line	Item	Debt securities issued by the NBU	Total
1	Debt securities undue and undepreciated:	9,001	9,001
1.1	State-owned institutions and entities	9,001	9,001
1.2	Reserve for depreciation of securities in bank's portfolio before repayment_	-	-
3	**Total debt securities in bank's portfolio before repayment minus reserves**	**9,001**	**9,001**

No securities transferred without recognition cease in the form of security under repo operations as of 31.12.2012 and 31.12.2011 are available.

Note 10. Property and Equipment and Intangible Assets

Table 10.1. Property and Equipment and intangibles assets

(thousand UAH)

Item	Buildings, Structures and Driving Devices	Machines and Equipment	Transport Vehicles	Instruments, Appliances, Inventory (Furniture)	Other Property and Equipment	Other Non-Current Tangible Assets	Uncompleted Capital Contributions to Property and Equipment and Intangible Assets	Intangible Assets	Total
Balance value as of 2011:	**4,223,**	**1,100**	**990**	**303**	**72**	**92**	**981**	**163**	**7,924**
Initial (reassessed) value	4,504		1,610		1,061		459		101
Demolition	(281)		(510)		(71)		(156)		(29)
Revenue	-		433		808		20		43
Capital investments	6		20		31		57		-
Other transfers	-		-		-		-		-
Withdrawal	-		-		-		-		(2)
initial value	-		-		-		-		(2)

Demolition	-		-		-		-		-
Amortisation deductions	(226)	(350)	(261)	(76)	(26)	(116)	-	(41)	(1,096)
Balance value as of 2011	**4,003**	**1,203**	**1,568**	**304**	**87**	**97**	**14,523**	**122**	**21,907**
Initial (reassessed) value	4,510	2,063	1,900	536	142	480	14,523	249	24,403
Demolition	(507)	(860)	(332)	(232)	(55)	(383)	-	(127)	(2,496)
Revenue		1,087		11	24	132	11,484		12,738
Capital investments	-	20	-	-	-	1	-	-	21
Other transfers	-	-	-	-	-	-	(1,275)	-	(1,275)
Withdrawal	-	-	-	-	-	(32)	-	-	(32)
initial value	-	-	-	-	-	(44)	-	-	(44)
Demolition	-	-	-	-	-	12	-	-	12
Amortisation deductions	(226)	(412)	(272)	(126)	(33)	(194)		(40)	(1,303)
Balance value as of end of 2012	3,777	1,898,	1,296,	189	78,	4,	24,732	82,	32,056
Initial (reassessed) value	4,510	3,170		1,900		547		166	
Demolition as of end of 2012	(733)	(1,272)		(604)		(358)		(88)	

No Property and Equipment, in relation to which the legislation provides for limitations regarding possession, use and disposal are available at the Bank. No Property and Equipment and intangible assets pledged are available at the Bank. No Property and Equipment used temporarily (conservation, reconstruction) are available at the Bank. No Property and Equipment withdrawn from use for sale are available at the Bank. The initial value of completely amortised Property and Equipment is 516.6 thousand UAH.

No intangible assets, as to which property right limitations exist, are available at the Bank.

The initial value of created intangible assets, namely signs for goods and services amounts to 2 thousand UAH. No increases and decreases as a result of re-assessments, as well as losses from utility reduction, recognized or reversed directly in the own capital during the accounting period occurred at the Bank.

Note 11. Other Financial Assets

Table 11.1. Other financial assets

(thousand UAH)

Line	Item	2012	2011	2010
1	Accounts receivable under operations with payment cards	-	126	101
2	Monetary funds with limited right of use	3,176	3,006	1,931
3	Other financial assets	97	47	32
4	Reserve for depreciation of other financial assets	(2)	(601)	(19)
5	**Total other financial assets minus reserves**	**3,271**	**2,578**	**2,045**

For line 2, Monetary funds with limited right of use include balances placed in PJSC "FUIB", Guarantee Fund for Reimbursement of Losses for Making Payment in accordance with Visa International, International Payment System, as well as provision of the Bank's debt repayment in case of its occurrence when making payments.

Table 11.2. Analysis of reserve change for financial assets depreciation for the year 2012

(thousand UAH)

Line	Reserve Flow	Monetary funds with limited right of use	Total
1	Balance as of beginning of period	(601)	(601)
2	(Increase)/decrease of reserve for depreciation during period	599	599
3	**Balance as of end of period**	**(2)**	**(2)**

Table 11.3. Analysis of reserve change for financial assets depreciation for the year 2011

(thousand UAH)

Line	Reserve Flow	Monetary funds with limited right of use	Total
1	Balance as of beginning of period	(19)	(19)
2	(Increase)/decrease of reserve for depreciation during period	(582)	(582)
3	**Balance as of end of period**	**(601)**	**(601)**

Table 11.4. Analysis of credit quality of other financial assets for the year 2012

(thousand UAH)

Line	Item	Accounts receivable under operations with payment cards	Monetary funds with limited right of use	Other financial assets	Total
1	Undue and undepreciated indebtedness:	-	3,176	88	3,264
1.1	Large clients with credit history more than 2 years	-	3,176		3,176
1.2	Medium-scale companies	-	-	51	51
1.3	Small-scale entities	-	-	37	37
2	Indebtedness depreciated on individual basis:				
2.1	with payment delay up to 31 days	-	-	9	9
3	Reserve for depreciation of other financial assets	-	-	(2)	(2)
4	**Total other financial assets minus reserve**	**-**	**3,176**	**95**	**3,271**

Table 11.5. Analysis of credit quality of other financial assets for the year 2011

(thousand UAH)

Line	Item	Accounts receivable under operations with payment cards	Monetary funds with limited right of use	Other financial assets	Total
1	Undue and undepreciated indebtedness:	126	-	47	173
1.1	Large clients with credit history more than 2 years	126	-	-	126
1.2	Medium-scale companies	-	-	2	2
1.3	Small-scale entities	-	-	24	24
1.4	Indebtedness depreciated on individual basis:	-	-	21	21
2	with payment delay up to 31 days	-	3,006	-	3,006
3	Reserve for depreciation of other financial assets	126	3,006	47	3,179
4	**Total other financial assets minus reserve**	-	(601)	-	(601)
5	Large clients with credit history more than 2 years	**126**	**2,405**	**47**	**2,578**

Table 11.6. Analysis of credit quality of other financial assets for the year 2010

(thousand UAH)

Line	Item	Accounts receivable under operations with payment cards	Monetary funds with limited right of use	Other financial assets	Total
1	Undue and undepreciated indebtedness:	101	-	32	133
1.1	Large clients with credit history more than 2	101	-	-	101

	years				
1.2	Medium-scale companies	-	-	9	9
1.3	Small-scale entities	-	-	6	6
1.4	Indebtedness depreciated on individual basis:	-	-	17	17
2	with payment delay up to 31 days	-	1,931	-	1,931
3	Reserve for depreciation of other financial assets	101	1,931	32	2,064
4	**Total other financial assets minus reserve**	- ,	(19)	-	(19)
5	Large clients with credit history more than 2 years	**101**	**1,912**	**32**	**2,045**

Note 12. Other Assets

Table 12.1. Other assets

Line	Item	2012	2011	2010
1	Prepayment for services	27	-	3
2	Accounts receivable for assets purchase	-	-	3
3	Other assets	6,013	2,886	170
4	**Total other assets minus reserves**	**6,040**	**2,886**	**176**

The following is referred to line 3 Other Assets:

For the year 2012: reserves of tangible assets at warehouse – 151 thousand UAH, reserves of tangible assets of reporting persons – 16 thousand UAH, pre-paid expenses – 5,813 thousand UAH, accounts payable under taxes and compulsory payments – 33 thousand UAH.

For the year 2011: reserves of tangible assets at warehouse – 70 thousand UAH, reserves of tangible assets of reporting persons – 35 thousand UAH, pre-paid expenses – 2,772 thousand UAH, accounts payable under taxes and compulsory payments – 9 thousand UAH.

For the year 2010: reserves of tangible assets at warehouse – 81.0 thousand UAH, reserves of tangible assets of reporting persons – 14.0 thousand UAH, pre-paid expenses – 66.0 thousand UAH;

Note 13. Funds of Clients

Table 13.1. Funds of clients

(thousand UAH)

Line	Item	2012	2011	2010
1	Other legal entities	194,326	98,299	126,016
1.1	Current accounts	181,624	87,795	124,000
1.2	Time funds	12,702	10,504	2,016
2	Natural persons:	59,158	35,597	18,932
2.1	Current accounts	18,714	9,948	3,528
2.2	Time funds	40,444	25,649	15,404
3	**Total funds of clients**	**253,484**	**133,896**	**144,948**

Table 13.2. Distribution of clients' funds by types of economic activity

(thousand UAH)

Line	Type of economic activity	2012		2011		2010	
		amount	%	amount	%	amount	%
1	Operations with real estate, rent, engineering and rendering of services	17,831	7%	2,612	2%	838	1%
2	Trade, repair of cars, household appliances and personal demand items	17,006	0.07	10,670	0.08	15,823	0.11
3	Activity of public organizations	10,291	4%	7,271	5%	3,007	2%
4	Production	139,015	55%	71,549	53%	101,817	70%
5	Natural persons	59,158	23%	35,597	27%	18,932	13%
6	Other	40,444	25,649	15,404			
7	**Total funds of clients**	**253,484**	**100%**	**133,896**	**100%**	**144,948**	**100%**

Note 14. Liabilities Reserves

Table 14.1. Changes of liabilities reserves for the year 2012

(thousand UAH)

Line	Reserve flow	Liabilities of credit nature	Total
1	Balance as of beginning of period	67	67
2	Formation and/or increase of reserve	(41)	(41)
3	**Balance as of end of period**	**26**	**26**

The Bank created reserves for irrevocable liabilities secured by loan, goods in circulation under guarantees issued.

Note 15. Other Financial Liabilities

Table 15.1. Other financial liabilities

(thousand UAH)

Line	Item	2012	2011	2010
1	Accounts payable under operations with payment cards	817	56	39
2	Other financial liabilities	20	9	17
3	**Total other financial liabilities**	**837**	**65**	**56**

Note 16. Other Liabilities

(thousand UAH)

Line	Item	2012	2011	2010
1	Accounts payable under taxes and duties, except profit income	77	1	-
2	Accounts payable under settlements with bank employees	734	396	-
3	Deferred income	33	61	40
4	Other indebtedness	38	14	10,005
5	**Total**	**882**	**472**	**10,045**

Note 17. Statutory Capital and Emission Differences (Share Premium)

(thousand UAH)

Line	Item	Quantity of shares in circulation (thousand pieces)	Ordinary shares	Total
1	Balance as of 1 January 2011	1,001	110,000	110,000
2	Issue of new shares (equities)	100	10,000	10,000
3	Balance as of end of 31 December 2011 (balance as of end of 1 January 2012)	1,200	120,000	120,000
4	**Balance as of end of 31 December 2012**	**1,200**	**120,000**	**120,000**

During the accounting period no emission of securities was performed.

The statutory capital of the Bank as of the end of the accounting year amounts to 120,000 thousand UAH, which is divided into 1,200 thousand ordinary registered shares.

The statutory capital of the Bank was formed at the expense of contributions of the founders at the Bank establishment and at the expense of contributions of the shareholders at additional issues of shares.

The nominal value of one share is 100 UAH; the total amount of the issue is 120 million UAH; the form of existence is non-documentary.

All shares of MOTOR-BANK, PJSC are paid in full volume by each shareholder.

Note 18. Analysis of Assets and Liabilities by Terms of Repayment

(thousand UAH)

Line	Item	Notes	2012			2011		
			less than 12 months	more than 12 months	Total	less than 12 months	more than 12 months	Total
	ASSETS							
1	Funds and their equivalents	6	166,891	-	166,891	93,802	-	93,802
2	Compulsory reserves in the National Bank of Ukraine		1,988	-	1,988	2,306	-	2,306
3	Funds in other banks	7	18,289	-	18,289	30,136	-	30,136
4	Credits and indebtedness of clients	8	111,856	29 862	141,718	72,220	39054	111,274
5	Securities in bank's portfolio before repayment	9	15,726	9876	25,602	-	9871	9,871
6	Property and Equipment, and intangible assets	10	6	32050	32,056	-	21907	21,907
7	Other financial assets	11	3,271	-	3,271	2,578	-	2,578
8	Other assets	12	6,040	-	6,040	2,886	-	2,886
9	Total assets		324,067	71,788	395,855	203,928	70832	274,760
	LIABILITIES							
10	Funds of clients	13	248,611	4873	253,484	132,066	1830	133,896
11	Liabilities under current profit tax		4,622	-	4,622	2,082	-	2,082
12	Deferred tax liabilities		-	-	-	1,981	-	1,981
13	Reserves for liabilities	14	26	-	26	67	-	67
14	Other financial liabilities	15	837	-	837	65	-	65
15	Other liabilities	16	882	-	882	472	-	472
16	**Total liabilities**		**254,978**	**4,873**	**259,851**	**136,733**	**1,830**	**138,563**

Note 19. Interest Income and Losses

(thousand UAH)

Line	Item	2012	2011
1	Credits and indebtedness of clients	23,716	16,182
2	Debt securities in bank's portfolio for sale	53	
3	Securities in bank's portfolio before repayment	5,472	1,798
4	Funds in other banks	4,280	7,519
5	Correspondent accounts in other banks	1,471	749
6	Other	55	55
7	Total interest income	35,047	26,303
	INTEREST EXPENSES:		
8	Time funds of legal entities	(1,085)	(543)
9	Time funds of natural persons	(3,695)	(2,245)
10	Time funds of other banks	(16)	(28)
11	Current accounts	(5,318)	(2,513)
12	Total interests expenses	(10,114)	(5,329),
13	**Net interest income/(expenses)**	**24,933**	**20,974**

Information about interest income and expenses under operations with associated parties is given in Note 32.

Note 20. Commission Income and Losses

(thousand UAH)

Line	Item	2012	2011
	COMMISSION INCOME:		
1	Clearing and settlement	7,505	5,296
2	Other	4,387	4,899
3	Guarantees issued	78	153
4	**Total commission income**	**11,970**	**10,348**
	COMMISSION EXPENSES:		
5	Clearing and settlement	(847)	(267)
6	Encashment	(55)	(36)
7	Operations with securities	(12)	(2)
8	Other	(5,179)	(3,181)
9	**Total commission expenses**	**(6,093)**	**(3,486)**
10	**Net commission income/expenses**	**5,877**	**6,862**

Information about commission income and expenses under operations with associated parties is given in Note 32.

The following is referred to line 2 Other 2012: commission income from cash sale to banks – 34 thousand UAH, commission income from credit operation service of total annual income – 879 thousand UAH, commission income from operations with banks under PK – 89 thousand UAH.

Commission income from operations in the foreign exchange market for clients amount to 3,385 thousand UAH.

The following is referred to line 8 Other 2012: commission income from settlements with PC for operations with PK – 123 thousand UAH, commission income for credit service – 5,056 thousand UAH.

The following is referred to line 2. Other 2011: commission income from cash sale to banks – 9 thousand UAH, commission income from credit operation service of total annual income – 191 thousand UAH, commission income from operations with banks under PK – 39 thousand UAH, commission income from operations in the currency market for clients - 4,660 thousand UAH.

The following is referred to line 8 Other 2011: commission income from settlements with PC for operations with PK – 363 thousand UAH, commission income for credit service – 2,818 thousand UAH.

Note 21. Other Operating Income

(thousand UAH)

Line	Item	2012	2011
1	Income from operating lease (rent)	25	22
2	Other	25	11
3	**Total operating income**	50	33

The following is referred to line 2 Other 2012: commission income from sale of bill forms – 21 thousand UAH, fines, penalties – 2 thousand UAH, other – 2 thousand UAH.

The following is referred to line 2 Other 2011: commission income from sale of bill forms – 6 thousand UAH, fines, and penalties – 5 thousand UAH.

Note 22. Administrative and Other Operating Expenses

(thousand UAH)

Line	Item	2012	2011
1	Expenses for staff lee-up	(9,993)	(8,245)
2	Amortisation of Property and Equipment	(1,263)	(1,055)
3	Amortisation of software and other intangible assets	(40)	(41)
4	Expenses for maintenance of Property and Equipment and intangible, telecommunication and other operating services	(2,455)	(1,375)
5	Expenses for operating lease (rent)	(870)	(686)
6	Other expenses connected with Property and Equipment	(256)	(220)
7	Professional services	(590)	(1,169)
8	Security services	(421)	(228)
9	Expenses for marketing and advertising	(69)	(71)
10	Expenses for insurance	(2,705)	(1,397)
11	Payment of other taxes and duties, payments, except profit tax, including:	(386)	(299)

11.1	Land tax	(29)	(14)
11.2	Deductions to Depositors Insurance Fund	(218)	(104)
11.3	Other taxes and compulsory payments	(139)	(181)
12	Other	(155)	(616)
13	**Total administrative and other operating expenses**	(19,203)	(15,402)

Note 23. Expenses for Profit Tax

Table 23.1. Expenses for profit tax payment

(thousand UAH)

Line	Item	2012	2011
1	Current tax profit	(7,705)	(4,098)
2	Change of deferred profit income connected with:	1,981	(285)
2.1	Occurrence or write-off of temporary differences	1,981	(285)
3	**Total operating income**	(5,724)	(4,383)

Table 23.2. Agreement of accounting profit (loss) amount and amounts of tax profit (loss)

(thousand UAH)

Line	Item	2012	2011
1	Pre-tax profit	10,271	13,317
2	Theoretical tax deductions at relevant rate of taxation	(2,157)	(3,062)
	ACCOUNTING PROFIT (LOSS) CORRECTIONS:		
3	Expenses, which are not included into amount of expenses for the purpose of tax profit calculation, but are recognized in accounting (influence of constant differences *)	(3,065)	(1,834)
4	Expenses, which are included into amount of expenses for the purpose of tax profit calculation, but not recognized in accounting (influence of constant differences *)	204	17
5	Income subjected to profit tax, but not recognized (not subjected) in accounting profit (loss) (influence of constant differences*)	(114)	(35)
6	Other corrections	(2,573)	816
7	**Amount of profit tax (loss)**	**(7,705)**	**(4,098)**

** Influence of permanent difference:*

Losses, which are not included into the amount of losses for the purpose of tax profit calculation, but which are recognized in accounting amount to 3,065 thousand UAH; they are composed of commission expenses for credit service, expenses for reserves formation, which are not included into tax accounting, administrative and operating expenses (for payment of financial assistance, creation of leave reserve, economic needs, sponsorship and charity, advertising, upkeep of personnel, operating expenses, communication expenses) which are not referred to expenses.

Expenses, which are included into the amount of expenses for the purpose of tax profitability calculation, but which are not recognized in accounting amount to 204 thousand UAH; they are composed of amounts of discounts and premia for long-term funds, amortisation deductions, improvement of Property and Equipment within 10%, part of other expenses recognized in accounting in the previous year, but referred to the accounting period for the purpose of tax profit calculation, written-off value of rented room upon a rent agreement termination.

Income, which is subject to income tax, but which is not recognized (does not belong) in accounting (loss) amount to 114 thousand UAH; it is composed of interest income from securities purchased by the Bank, inclusion of credit discount and premium amounts into tax income, deferred income, value of goods and services rendered and received free of charge.

Other corrections are 2.573 thousand UAH - correction in connection with transformation corrections for drawing up financial statements in accordance with IFRS.

Table 23.3. Tax consequences connected with recognition of deferred tax assets and deferred tax liabilities for the year 2012

(thousand UAH)

Line	Item	Balance as of beginning period	Recognized in profits/losses	Balance as of end period
1	Tax influence on temporary differences, which decrease (increase) taxation amount and tax losses transferred to future periods	(1,981)	1,981	-
1.1	Reserves for depreciation of assets	(1,981)	1,981	-
2	Net deferred tax asset (liability)	(1,981)	1,981	-
3	**Recognized deferred tax liability**	**(1,981)**	**1,981**	**-**

Table 23.4. Tax consequences connected with recognition of deferred tax assets and deferred tax liabilities for the year 2011

(thousand UAH)

Line	Item	Balance as of beginning period	Recognized in profits/losses	Balance as of end period
1	Tax influence on temporary differences, which decrease (increase) taxation amount and tax losses transferred to future periods	(1,696)	(285)	(1,981)
1.1	Reserves for depreciation of assets	(1,696)	(285)	(1,981)
2	Net deferred tax asset (liability)	(1,696)	(285)	(1,981)
3	**Recognized deferred tax liability**	**(1,696)**	**(285)**	**(1,981)**

Note 24. Profit/ (loss) per Ordinary and Preferred Share

Table 24.1. Net and corrected profit/ (loss) per ordinary and preferred share

(thousand UAH)

Line	Item	Note	2012	2011
1	Profit/(loss), which belongs to holders of ordinary shares of bank		4,547	8,934
2	Profit/(loss), for year		4,547	8,934
3	Average annual quantity of ordinary shares in circulation (thousand pieces)	17	1,200	1,181
4	**Net and corrected profit/(loss) per one ordinary share**		**3.79**	**7.57**

Table 24.1. Calculation of income/ (loss), which belongs to holders of ordinary and preferred shares of bank

(thousand UAH)

Line	Item	Note	2012	2011
1	Profit/(loss) for year, which belongs to bank owners		4,547	8934
2	Dividends under ordinary and preferred shares	25	4,740	3997
3	Undistributed profit/(loss) for year		4,547	14,977
4	Undistributed profit/(loss) for year, which belongs to holders of ordinary shares depending on share terms		14,214	14,977
5	Dividends under ordinary, under which decision was made	25	4,740	3,997
6	**Profit/(loss) for year, which belongs to shareholders – holders of ordinary shares**		**14,214**	**14,977**

Note 25. Dividends

(thousand UAH)

Line	Item	2012	2011
		under ordinary shares	**under ordinary shares**
1	Balance as of beginning of period		
2	Dividends per share, under which decision on payment was made during period	4,740	3,997
3	Dividends paid during period	4,740	3,997
4	Balance as of end of period		
5	**Dividends per share, under which decision on payment was made during period**	**3.95**	**3.38**

Note 26. Operating Segments

Table 26.1. Income, expenses and results of accounting segments for the year 2012

(thousand UAH)

Line	Item	Name of accounting segments				
		Services to corporate clients	**Services to natural persons**	**Inter-bank operations**	**Other segments and operations**	**Total**
	Income from external clients:	**40,397**	**819**	**4,350**	**1,501**	**47,067**
1	Interest income	29,000	336	4,210	1,501	35,047

2	Commission income	11,368	462	140	-	11,970
3	Other operating income	29	21	-	-	50
	Income from other segments:	-	-	-	-	-
4	**Total income of segments**	**40,397**	**819**	**4,350**	**1,501**	**47,067**
5	Interest expenses	(6,042)	(4,055)	(16)	-	(10,114)
6	Deductions to reserve for depreciation of credits and funds in other banks	(3,486)	(47)	379	-	(3,154)
7	Result from sale of securities in bank's portfolio for sale	1,043	-	-	-	1,043
8	Results from operations with foreign currency	-	-	-	1,079	1,079
9	Result from reassessment of operations with foreign currency	-	-	-	(395)	(395)
10	Commission expenses	(5,067)	-	(1,026)	-	(6,093)
11	Deductions to reserves under liabilities	41	-	-	-	41
12	Administrative and other operating expenses	-	-	-	(19,203)	(19,203)
13	Expenses for profit tax	-	-	-	(5,724)	(5,724)
	SEGMENT RESULT:					
14	**Profit/(loss)**	**26,886**	**(3,283)**	**3,686**	**(22,742)**	**4,547**

Table 26.2. Income, expenses and results of accounting segments for the year 2011

(thousand UAH)

Line	Item	Name of accounting segments				
		Services to corporate clients	**Services to natural persons**	**Inter-bank operations**	**Other segments and operations**	**Total**
	Income from external clients	**27,197**	**376**	**8,126**	**985**	**36,684**
1	Interest income	17,122	239	8,079	863	26,303
2	Commission income	10,061	118	47	122	10,348
3	Other operating income	14	19	-	-	33
	Income from other segments:	-	-	-	-	-
4	**Total income of segments**	**27,197**	**376**	**8,126**	**985**	**36,684**
5	Interest expenses	(2,848)	(2,453)	(28)	-	(5,329)
6	Deductions to reserve for depreciation of credits and funds in other banks	(121)	(82)	(593)	-	(796)
7	Results from operations with foreign currency	-	-	-	1,260	1,260
8	Result from reassessment of operations with foreign currency	-	-	-	453	453
9	Commission expenses	(2,820)	-	(666)	(0)	(3,486)
10	Deductions to reserves under liabilities	(67)	-	-	-	(67)
11	Administrative and other operating expenses	-	-	-	(15,402)	(15,402)
12	Expenses for profit tax	-	-	-	(4383)	(4383)
	SEGMENT RESULT:					
13	**Profit/(loss)**	**21,341**	**(2,159)**	**6,839**	**(17,087)**	**8,934**

Table 26.3. Assets and liabilities of accounting segments for accounting period

(thousand UAH)

Line	Item	Name of accounting segments				
		Services to corporate clients	**Services to natural persons**	**Investment banking activity**	**Other segments and operations**	**Total**
	ASSETS OF SEGMENTS					
1	Assets of segments	165,562	1,758	18,290	-	185,610
2	Total assets of segments	165,562	1,758	18,290	-	185,610
3	Undistributed assets	-	-	-	210,245	210,245
4	**Total assets**	**165,562**	**1,758**	**18,290**	**210,245**	**395,855**

	LIABILITIES OF SEGMENTS					
5	Liabilities of segments	194,326	59,158	-	-	253,484
6	Total liabilities of segments	194,326	59,158	-	-	253,484
7	Undistributed liabilities	-	-	-	6,367	6,367
8	**Total liabilities**	**194,326**	**59,158**	**-**	**6,367**	**259,851**
	OTHER SEGMENT ARTICLES					
9	Capital investments	-	-	-	35,843	35,843
10	Amortisation	-	-	-	(1,303)	(1,303)

Table 26.4 Assets and liabilities of accounting segments for the year 2011

(thousand UAH)

Item	Name of accounting segments				
	Services to corporate clients	Services to natural persons	Investment banking activity	Other segments and operations	Total
ASSETS OF SEGMENTS					
Assets of segments	119,058	2,087	49,862	-	171,007
Non-current assets held for sale (or group of withdrawal)	-	-	-	-	-
Total assets of segments	119,058	2,087	49,862	-	171,007
Investments to associates	-	-	-	-	-
Undistributed assets	-	-	-	103,753	103,753
Total assets	**119,058**	**2,087**	**49,862**	**103,753**	**274,760**
LIABILITIES OF SEGMENTS					
Liabilities of segments	98,299	35,597	-	-	133,896
Total liabilities of segments	98,299	35,597	-	-	133,896
Undistributed liabilities	-	-	-	4,667	4,667
Total liabilities	**98,299**	**35,597**	**-**	**4,667**	**138,563**
OTHER SEGMENT ARTICLES					
Capital investments	-	-	-	24,403	24,403
Amortisation	-	-	-	(1,096)	(1,096)

Note 27. Management of Financial Risks

General principles

The function of risk management at the Bank is performed in relation to financial, operating and legal risks.

Financial risks include *credit risk*, *liquidity risk* and *market risks*. Management of *operating* and *legal* risks of the Bank is intended for provision of proper functioning of internal procedures and policy aimed at these risks minimization.

The management policy and system of the Bank is revised and improved continuously in accordance with change of market conditions and banking products. The main task of the Bank at management of assets and liabilities is to reduce the level of the liquidity risk and market risks, to which the Bank is exposed, and maximize profitability.

The main principles of the Bank's policy in the field of risk management is *centralization* (analysis of risks and calculations are performed centrally and relevant limits are set for business subdivisions of the Bank); balanced structure of risks and payment for their acceptance; provision of continuous monitoring of the risk level.

Credit risk

Credit risk is determined as an available or potential risk for revenues and capital of the Bank, which occurs due to inability of the party, which assumed responsibility to fulfil term of any financial transaction with the Bank and otherwise fulfil the assumed liabilities. The credit risk occurs as a result of credit and other operation of the Bank, as a result of which financial assets occur.

The Bank follows the principles of care and deliberation when forming a credit portfolio. Implementation of these principles is provided by qualitative assessment of a borrower's solvency and value of mortgage, carrying out of regular monitoring of debt service condition and mortgage condition during a credit transaction validity term.

The Bank limits risks of credit and investment operations by following credit risk standards set by the National Bank of Ukraine and forming reserves for reimbursement of possible losses under active operations (credit operations, operations with securities, other active operations).

Quality of the Bank's assets is high; this is certified both by the index of past-due indebtedness share value under the principal of the debt and accrued interests in net assets (0.1%), and index of share value of negatively classified assets in the credit portfolio (0.5%). Taking into consideration the above stated the level of the Bank's credit risk is low and controlled.

During the accounting period the Bank complied steadily with all credit risk standards set by the National Bank of Ukraine:

Market risk

Market risk is determined by probability of change of market prices for financial and physical assets being on the balance sheet of the Bank or which are accounted on off-balance accounts. Monetary funds, foreign currency, securities refer to financial assets; precious metals refer to physical assets. The basic components of the market risk of the Bank are *foreign exchange, interest* and *price risks*.

The source of the currency risk occurrence is non-conformity of balance and off-balance requirements and liabilities under individual currencies. Management of the currency risk is performed by controlling compliance with open currency position limits set by the National Bank of Ukraine and setting of internal currency position limits under individual currencies and operations.

Quantitative assessment of the currency risk is performed by the Bank with the help of analysis of basic foreign currencies volatility analysis. According to calculations as of the end of 2012 the losses of the Bank from the currency risk action during the next calendar month with probability of 95% will not exceed 0.3% of the registered capital.

During the accounting period the Bank complied steadily with the open currency position limits set by the National Bank of Ukraine:

Name of standard and its value as of beginning of monthly accounting dates in 2012				
Actual value as of	**N7 - standard of max credit risks per one contractor (not more than 25%)**	**N8 – standard of big credit risks (not more than 800%)**	**N9 – standard of max total amount of credits, guarantees and warranties granted to one insider (not more than 5%)**	**N10 – standard of max total amount of credits, guarantees and warranties granted to insiders (not more than 50%)**
01.01.2012	19.94	46.27	3.01	4.78
01.02.2012	15.40	25.75	2.96	4.72
01.03.2012	14.04	14.04	3.04	4.78
01.04.2012	9.99	0.00	3.04	4.74
01.05.2012	11.20	21.82	2.99	4.67
01.06.2012	14.40	35.98	3.05	4.73
01.07.2012	14.81	26.45	3.08	4.79
01.08.2012	16.21	28.31	3.05	4.98
01.09.2012	15.33	27.21	3.08	5.03
01.10.2012	15.73	25.92	3.08	5.05
01.11.2012	16.05	28.98	3.21	5.16
01.12.2012	15.86	40.74	3.20	5.21
01.01.2013	14.49	27.88	3.23	5.21

Market risk

Market risk is determined by probability of change of market prices for financial and physical assets being on the balance sheet of the Bank or which are accounted on off-balance accounts. Monetary funds, foreign currency, securities refer to financial assets; precious metals refer to physical assets. The basic components of the market risk of the Bank are *currency, interest* and *price risks*.

The source of the currency risk occurrence is non-conformity of balance and off-balance requirements and liabilities under individual currencies. Management of the currency risk is performed by controlling compliance with open currency position limits set by the National Bank of Ukraine and setting of internal currency position limits under individual currencies and operations.

Quantitative measurement of the currency risk is performed by the Bank with the help of analysis of basic foreign currencies volatility analysis. According to calculations as of the end of 2012 the losses of the Bank from the currency risk action during the next calendar month with probability of 95% will not exceed 0.3% of the registered capital.

During the accounting period the Bank complied steadily with the open currency position limits set by the National Bank of Ukraine:

Actual value as of	**Name of limit and its value as of beginning of monthly accounting dates in 2012**	
	L13-1 – limit of long open currency position of bank (not more than 5%)	**L13-2 – limit of short open currency position of bank (not more than 10%)**
01.01.2012	1.3819	0.0000
01.02.2012	4.3486	0.0000
01.03.2012	2.8353	0.1505
01.04.2012	2.6558	0.2025
01.05.2012	2.4484	0.0000
01.06.2012	0.6898	3.7584
01.07.2012	0.4849	4.1053
01.08.2012	0.4156	5.0027
01.09.2012	2.8465	5.6784
01.10.2012	0.0000	6.1199
01.11.2012	3.4929	5.6908

01.12.2012	0.4829	8.4175
01.01.2013	1.6680	6.0766

Table 27.1. Analysis of foreign exchange risk

(thousand UAH)

Line	Name of currency	As of accounting date in 2012			As of accounting date in 2011		
		monetary assets	monetary liabilities	net position	monetary assets	monetary liabilities	net position
1	US dollar	20,389	20,109	280	36,055	34,381	1,674
2	Euro	166	7,888	(7,722)	7,124	7,066	58
3	RF rouble	108,215	106,365	1,850	17,114	17,026	88
4	**Total**	**128,770**	**134,362**	**(5,592)**	**60,293**	**58,473**	**1,820**

Table 27.2. Change of financial result and equity capital as a result of possible changes of foreign exchange rates, which are set as of accounting date provided that all other variable characteristics remain fixed

(thousand UAH)

Line	Item	As of accounting date in 2012		As of accounting date in 2011	
		influence of profit /(loss)	influence on equity capital	influence of profit /(loss)	influence on equity capital
1	Consolidation of US dollar by 5%	14	14	84	84
2	Impairment of US dollar by 5%	(14)	(14)	(84)	(84)
3	Consolidation of Euro by 5%	(386)	(386)	3	3
4	Impairment of Euro by 5%	386	386	(3)	(3)
5	Consolidation of RF rouble by 5%	93	93	4	4
6	Impairment of RF rouble by 5%	(93)	(93)	(4)	(4)

Table 27.3. Change of financial result and equity capital as a result of possible changes of foreign exchange rates, which are set as of accounting date provided that all other variable characteristics remain fixed

(thousand UAH)

Line	Item	Average weighted foreign exchange rate in 2012		Average weighted foreign exchange rate in 2011	
		influence of profit /(loss)	influence on equity capital	influence of profit /(loss)	influence on equity capital
1	Consolidation of US dollar by 5%	14	14	84	84
2	Impairment of US dollar by 5%	(14)	(14)	(84)	(84)
3	Consolidation of Euro by 5%	(386)	(386)	3	3
4	Impairment of Euro by 5%	386	386	(3)	(3)
5	Consolidation of RF rouble by 5%	93	93	4	4
6	Impairment of RF rouble by 5%	(93)	(93)	(4)	(4)

The source of the interest risk occurrence is misbalance of assets and liabilities sensitive to interest rate change. This risk influences both profitability of the Bank and economic value of its assets, liabilities and off-balance instruments.

The Bank manages the interest risk by setting limits of misbalances between volumes of assets and liabilities sensitive to interest rate change together with the Assets and Liabilities Management Committee, as well as approving minimum rates of funds placement (maximum raising rates). The Bank has the low level of sensitivity to the interest rate and this is conditioned by the liabilities structure (35% of liabilities are the own capital of the Bank, 50% – funds upon request).

Quantitative assessment of the interest risk is performed by the Bank with the help of duration method, according to which interest assets and liabilities become sensitive to interest rates upon expiration of an agreement validity term or when planned term of interest rate revision is mature. According to calculations as of the end of 2012 the losses of the Bank from the interest rate action during 2013 will not exceed 1.75% of the statutory capital provided that the interest rate level will decrease by 20% in relation to current rates.

Table 27.4. General analysis of the interest rate

(thousand UAH)

Line	Item	Upon demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than one year	Total
	2011					
1	Total financial assets	27,899	55,273	41,884	43,247	168,303
2	Total financial liabilities	7,896	11,720	13,902	1,791	35,309
3	Net interest rate gap as of end of					

	31 December 2011	20,003	43,553	27,982	41,456	132,994
	2012					
4	Total financial assets	4,305	74,707	67,735	40,256	187,003
5	Total financial liabilities	10,721	17,118	17,955	4,609	50,403
6	Net interest rate gap as of end of 31 December 2012	(6,416)	57,589	49,780	35,647	136,600

Table 27.5. Monitoring of interest rates under financial instruments

(thousand UAH)

Line	Item	2012				2011			
		UAH	US dollars	Euro	other	UAH	US dollars	Euro	other
	Assets								
1	Funds and their equivalents	15.93	-	-	4.75	0.14	-	-	-
2	Funds in other banks	14.73	7.60	-	7.93	9.54	7.50	-	-
3	Credits and indebtedness of clients	18.64	-	-	-	16.09	-	-	-
4	Debt securities in bank's portfolio for repayment	19.24	-	-	-	19.50	-	-	-
	Liabilities								
5	Funds of banks	12.57	-	-	-	5.10	2.52	5.55	1.00
6	Funds of clients:	8.40	4.82	6.66	1.31	5.10	2.52	5.55	1.00
6.1	*Current accounts*	6.22	0.20	0.16	1.31	5.60	1.00	1.00	1.00
6.2	*Time funds*	16.23	7.37	7.29	-	14.50	7.49	6.98	-

During 2012 the Bank **was not exposed to *price risk*** as it did not conduct any trade operations with securities both on its own behalf and under power of attorneys of clients.

Thus, the market risk level is low and controlled.

Liquidity risk

Liquidity risk is determined as an available or potential risk for revenues and capital of the Bank, which occurs due to its incapability to fulfil its liabilities within proper terms, not incurring unacceptable losses.

The source of the liquidity risk occurrence is unbalance of assets and liabilities as to repayment terms. The liquidity risk management policy of the Bank is aimed at achievement of optimal ratio between the liquidity risk and profitability of the Bank, provision of timely fulfilment of all liabilities to clients and contractors in full volume and without excessive losses by balancing volumes of assets and liabilities of the Bank as to repayment terms.

Operational management of the Bank's liquidity is performed by the Treasury and Financial Institution Department. Planned liquidity management is performed by the Assets and Liabilities Management Committee, which approves monthly decisions on optimization of the Bank's balance structure on the basis of analytical information by setting limits if credit-investment operations and correcting assets and liabilities by volumes and terms of repayment.

In order to provide liquidity in case of unpredictable crisis circumstances the Bank accepted the Plan of Actions in Liquidity Crisis Conditions, which determined basic offices of anti-crisis liquidity management. During the accounting period the Bank complied with the liquidity standards set by the National Bank of Ukraine:

Actual value as of	Name of standard and its value as of monthly accounting dates of 2012		
	N4 - standard of instant liquidity (not less than 20%)	N5 - standard of current liquidity (not less than 40%)	N6 – standard of short-term liquidity (not less than 60%)
01.01.2012	75.02	95.02	152.11
01.02.2012	62.54	86.76	136.18
01.03.2012	49.99	68.44	141.86
01.04.2012	62.14	96.25	128.60
01.05.2012	45.60	74.06	133.69
01.06.2012	39.19	69.05	121.10
01.07.2012	29.00	58.08	128.30
01.08.2012	33.86	66.40	119.84
01.09.2012	39.61	68.97	121.14
01.10.2012	20.78	58.98	127.07
01.11.2012	26.33	56.97	118.64
01.12.2012	45.65	50.63	123.30
01.01.2013	82.64	79.25	120.10

Table 27.8. Analysis of financial liabilities under repayment terms for the year 2012

(thousand UAH)

Line	Item	Upon demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years
1	Funds of clients:	212,154	12,134	24,292	4,904	253,484
1.1	*Funds of natural persons*	22,519	9,364	22,444	4,904	59,231
1.2	*Other*	189,635	2,770	1,848	-	194,253
2	Other financial liabilities	837	-	-	-	837
3	**Total potential future payments under financial liabilities**	**212,991**	**12,134**	**24,292**	**4,904**	**254,321**

Table 27.9. Analysis of financial liabilities under terms of repayment for the year 2011

(thousand UAH)

Line	Item	Upon demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years
1	Funds of clients:	105,953	8,898	17,344	1,701	133,896
1.1	*Funds of natural persons*	13,289	3,837	16,770	1,701	35,597
1.2	*Other*	92,664	5,061	574	-	98,299
2	Other financial liabilities	62	-	3	-	65
3	**Total potential future payments under financial liabilities**	**106,015,**	**8,898**	**17,347**	**1,701**	**133,961**

Table 27.10. Analysis of financial assets and liabilities under terms of repayment on the basis of expected repayment terms for the year 2012

(thousand UAH)

Line	Item	Upon demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
	Assets						
1	Funds and their equivalents	166,891	-	-	-	-	166,891
2	Funds in other banks	-	4,770	13,519	-	-	18,289
3	Credits and indebtedness of clients	6,530	13,606	92,434	29,138	10	141,718
4	Securities in bank's portfolio before repayment	-	786	15,641	9,175	-	25,602
5	Other financial assets	-	95	3,176	-	-	3,271
6	**Total financial assets**	**173,421**	**19,257**	**124,770**	**38,313**	**10**	**355,771**
	Liabilities						
7	Funds of clients	212,227	12,135	24,252	4,870	-	253,484
8	Other financial liabilities	837	-	-	-	-	837
9	**Total financial liabilities**	**213,064**	**12,135**	**24,252**	**4,870**	-	**254,321**
10	**Net liquidity gap as of end of 31 December**	**(39,643)**	**7,122**	**100,518**	**33,443**	**10**	**101,450**
11	**Total liquidity gap as of end of 31 December**	**(39,643)**	**(32,521)**	**67,997**	**101,440**	**101,450**	**101,450**

Table 27.11. Analysis of financial assets and liabilities under terms of repayment on the basis of expected repayment terms for the year 2011

(thousand UAH)

Line	Item	Upon demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
	Assets						
1	Funds and their equivalents	166,891	-	-	-	-	166,891
2	Funds in other banks	-	4,770	13,519	-	-	18,289
3	Credits and indebtedness of clients	6,530	13,606	92,434	29,138	10	141,718
4	Securities in bank's portfolio before repayment	-	786	15,641	9,175	-	25,602
5	Other financial assets	-	95	3,176	-	-	3,271
6	**Total financial assets**	**173,421**	**19,257**	**124,770**	**38,313**	**10**	**355,771**
	Liabilities						
7	Funds of clients	105,953	8,898	17,344	1,701	-	133,896
8	Other financial liabilities	62	-	3	-	-	65
9	**Total financial liabilities**	**106015**	**8898**	**17,347**	**1,701**	**-**	**133961**
10	**Net liquidity gap as of end of 31 December**	**(2,970)**	**9,338**	**66,263**	**42,014**	**55**	**113700**
11	**Total liquidity gap as of end of 31 December**	**(2,970**	**5,368**	**71,631**	**113,645**	**113,700**	**113,700**

Note 28. Control of Capital

The Bank's objective regarding control of capital lies in compliance with regulatory requirements for capital set by the National Bank of Ukraine, as well as provision of the Bank's ability to function as a continuous entity.

The policy of the Bank regarding capital control provides for its amount support at a level required and sufficient for providing proper trust on the part of creditors and other market players, as well as business development in future. The influence of the capital level on profits of shareholders are taken into account and in connection with this the Bank acknowledges the necessity of supporting the balance between profitability increase, which is possible as a result of worsening of the ratio between the borrowed and own capital, advantages and stability provided at the expense of the capital position stability.

The regulatory capital of the Bank has been calculated on the basis of accounting data in accordance with requirements of "Instruction for Procedure of Bank Activity Regulation in Ukraine" approved by the resolution of the Management Board of the NBU No. 368 dated 28.08.2001.

As of the end of 31 December 2012 the Bank complied with all requirements for capital set by the National Bank of Ukraine, namely:

- value of the standard of minimum regulatory capital amount (N1) amounted to 126.97 million UAH at the minimum required value of 120.00 million UAH;

- value of the standard of sufficiency (adequacy) of regulatory capital (N2) amounted to 43% at the minimum required value of 10%;

- value of the standard of ratio of the regulatory capital to total assets (N3) amounted to 32% at the minimum required value of 9%.

Table 28.1. Regulatory capital structure

(thousand UAH)

Line	Item	2012	2011
1	MAIN CAPITAL (MC) (capital of 1 level)	121,707	121,097
1.1.	Actually paid registered statutory capital	120,000	120,000
1.2.	Disclosed reserves created or increased at expense of undistributed profit	1,790	1,220
1.2.2.1	Among them: reserve funds	1,790	1,220
1.3.	Decrease of MC (amount of underformed reserves; intangibles minus	83	123

	amount of wear and tear; capital contributions to intangible assets; losses of previous years) including		
1.3.1.	Intangible assets minus amount of wear and tear	83	123
2	ADDITIONAL CAPITAL (AC) (capital of 2 level)	5,265	8,746
2.1.	Reserves for standard indebtedness of other banks, standard indebtedness under credits granted to clients and standard indebtedness under operations on off-balance accounts (taking into account MC reassessment)	63	288
2.2.	Result of reassessment of Property and equipment	5,202	8,458
2.3.	Calculated income of current year (Ri/c)		
	REGULATORY CAPITAL (RC)	**126,972**	**129,843**

Note 29. Potential Liabilities of the Bank

This note contains amounts of potential liabilities of the Bank as of the end of 31 December 2012, in particular:

a) proceedings.

During 2012 the Bank had several proceedings which were provided and had no significant influence on the financial position of MOTOR-BANK, PJSC.

b) potential tax liabilities.

As of the end of 31 December 2012 the management of the Bank considers that its interpretation of the tax legislation is correct; the Bank completely complied with the legislation requirements and paid all taxes, thus, no unpredictable liabilities connected with tax liabilities occurrence.

c) liabilities with capital investments.

As of the end of 31 December 2012 the total amount of contractual obligations connected with reconstruction of the Bank buildings amounted to 1,574 thousand UAH.

d) operating lease (rent) liability.

As of the end of 31 December 2012 non-residential premises, in which the Bank institutions are located (departments No. 1, No. 2) are in the Bank, in operating lease (rent) under faultless operating lease (rent) agreements.

Table 29.1. Future minimum rent payments under faultless operating lease (rent) agreement

(thousand UAH)

Line	Item	2012	2011
1	From 1 to 5 years	219	384
2	**Total**	**219**	**384**
	d) compliance with special requirements		

As of the end of 31 December 2012 the Bank had no agreements under received borrowed funds with other credit organizations.

e) crediting liabilities.

The liabilities connected with crediting are outstanding amounts intended for crediting in the form of credits, guarantees. Guarantees are irrevocable guarantees that the Bank will make payments in favour of third persons in case of non-fulfilment by clients of their liabilities and they have the same risk as credits. As to the credit risk under liabilities for granting credits the Bank is not exposed to any potential losses in total amount of outstanding liabilities in case of full granting to clients of outstanding amount of such credits as fulfilment of majority of liabilities for credit granting depends on compliance by clients with specific credit agreements. The total amount of outstanding credit lines and guarantees under transactions is not obligatory future needs in monetary funds because the term of such financial instruments validity may expire without financing.

Table 29.2. Structure of crediting liabilities

(thousand UAH)

Line	Item	2012	2011
1	Liabilities on loans, granted	2,916	863
2	Unused credit lines	36,062	19,159
3	Guarantees issued	342	300

Table 29.3. Liabilities on crediting in terms of currencies

(thousand UAH)

Line	Item	2012	2011
1	UAH	39,294	20,255
2	**Total**	**39,294**	**20,255**

Note 30. Fair Value of Financial Instruments

Fair value is an amount, for which assets can be exchanged or indebtedness can be repaid in an operation between informed, concerned and independent parties. The fair value of financial assets, which are actively quoted in the market are prices of quotation in the active market.

If the market for a financial instrument is not active, the Bank establishes the fair value using the following methods:

- estimation method, which is based on use of last market operations between informed, concerned and independent parties (if any);
- method of referring to current value of another identical (similar by currency, term, type of interest rate, structure of cash flows, credit risk, provision and other signs) instrument;
- discounted cash flow analysis method, etc.

The above methods are used by the Bank when determining the interest policy and rates of the Bank and they are criteria of fair value of financial documents.

Table 30.1. Analysis of financial instruments accounted at amortised prime cost

(thousand UAH)

Line	Item	2012		2011	
		fair value	balance value	fair value	balance value
	FINANCIAL ASSETS				
1	Funds and their equivalents	168,879	168,879	96,108	96,108
2	Funds in other banks	18,289	18,289	30,136	30,136
3	Credits and indebtedness of clients	141718	141,718	111274	111,274
4	Securities in bank's portfolio before repayment	25,602	25,602	9,871	9,871
5	Other financial assets	9311	9311	5464	5464
6	**Total financial assets accounted at amortised rate**	**363,799**	**363,799**	**252,853**	**252,853**
	FINANCIAL LIABILITIES				
7	Funds of clients	253,484	253,484	133,896	133,896
8	Other financial liabilities	837	837	65	65
9	**Total financial assets accounted at amortised rate**	**254,321**	**254,321**	**133,961**	**133,961**

Fair value is determined as a value, under which a financial instrument can be purchased during conduct of an operation between well informed independent parties, which intend to conduct such operation, except cases of forced or liquidation sale. Assessments shown in these financial statements may not reflect amounts, which the Bank could receive in case of actual sale of some or other financial instruments.

Fair value of monetary funds and their equivalents, funds in other banks, credits and indebtedness of clients, other financial assets, funds of clients, other financial liabilities is approximately equal to balance value.

Note 31. Presentation of Financial Instruments According to Assessment Categories

Table 31.1. Financial assets according to assessment categories for the year 2012

(thousand UAH)

Line	Item	Credits and accounts receivable	Available-for-sale assets	Financial assets at fair value with reflection of reassessment both of profit and loss	Investments held before repayment	Total
	ASSETS					
1	Funds and their equivalents	166,891	-	-	-	166,891
2	Funds in other banks:	18,289	-	-	-	18,289
2.1	Credits granted to other banks	18,289	-	-	-	18,289
3	Credits and indebtedness of clients:	141,718	-	-	-	141,718
3.1	Credits to legal entities	139,954	-	-	-	139,954
3.2	Mortgage credits to natural persons	181	-	-	-	181
3.3	Credits to natural persons for current needs	1,583	-	-	-	1,583
4	Securities in bank's portfolio before	25,602	-	-	-	25,602

	repayment					
5	Other financial assets :	3,271	-	-	-	3,271
5.1	Monetary funds with limited right of use	3,176	-	-	-	3,176
5.2	Other financial assets	95	-	-	-	95
6	**Total financial assets**	**355,771**	-	-	-	**355,771**

Table 31.2. Financial assets according to assessment categories for the year 2011

(thousand UAH)

Line	Item	Credits and accounts receivable	Available-for-sale assets	Financial assets at fair value with reflection of reassessment both of profit and loss	Investments held before repayment	Total
	ASSETS					
1	Funds and their equivalents	93,802	-	-	-	93,802
2	Funds in other banks:	30,136	-	-	-	30,136
2.1	Deposits in other banks	9,925	-	-	-	9,925
2.3	Credits granted to other banks	20,211	-	-	-	20,211
3	Credits and indebtedness of clients:	111,274	-	-	-	111,274
3.1	Credits to legal entities	109,454	-	-	-	109,454
3.2	Mortgage credits to natural persons	298	-	-	-	298
3.3	Credits to natural persons for current needs	1,522	-	-	-	1,522
4	Securities in bank's portfolio before repayment	9,871	-	-	-	9,871
5	Other financial assets :	2,578	-	-	-	2,578
5.1	Accounts receivable under operations with payment cards	126				126
5.2	Monetary funds with limited right of use	2,405	-	-	-	2,405
5.3	Other financial assets	47	-	-	-	47
6	**Total financial assets**	**247,661**	-	-	-	**247,661**

Note 32. Operations with Associated Parties

The Bank conducts operations with associated parties according to the bank license and written permit for conducting operations issued by the National Bank of Ukraine taking into account limitations established by the current legislation of Ukraine, regulatory legal acts of the National Bank of Ukraine, International Accounting Standard 24 (IAS 24) and internal regulatory documents of the Bank. For this purpose a set of internal regulatory documents are applied, namely: Method for determination of insiders/associated persons of MOTOR-BANK, PJSC approved by the Management Board of the Bank, in accordance with which one determines belonging of the Bank contractors to the range of insiders/associated persons, Provision on conducting operations with associated persons of MOTOR-BANK, PJSC and Provision on carrying out operation with insiders at MOTOR-BANK, PJSC, which govern the procedure of fulfilment, control and supervision of operations with connected persons.

Insiders/associated persons are legal entities or natural persons as determined by the Law of Ukraine "On Banks and Banking Activity" and Instruction for Procedure of Bank Activity Regulation in Ukraine approved by the resolution of the Management Board of the National Bank of Ukraine dated 28 august 2001 No. 368.

Operation with associated person is granting or exchange of resources, services and liabilities between associated persons independent of the fact whether payment is enforced for this or not.

Significant influence is a possibility of participation in making decisions of a legal entity on determination of financial or operating policy and relevant issues, which, however, do not provide for this process control.

Control is a possibility of having decisive influence on management or activity of a legal entity, including conditioned by holding of 50 or more percent of registered capital, agreement or otherwise.

Base of insiders/associated persons is a determined list of the Bank's contractors, which are insiders/associated persons (clients of the Bank) in relation to the Bank.

The Management Board of the Bank considers and approves the base of insiders/associated persons of the Bank twice a year (as of 1 January and 1 July).

List of associated persons is revised critically and discussed at least once a year at meetings of the Supervisory Board of the Bank.

The Bank provides for availability of relevant information systems for detecting active operations with insiders/associated persons, maintaining a list of insiders/associated persons of the Bank, determination of scope of operations in relation to each insider/associated person, as well as total scope of such operations for the purpose of their monitoring.

Table 32.1. Balances under operations with associated parties as of end of 31 December 2012

(thousand UAH)

Line	Item	Major participants (shareholders) of bank	Leading management staff	Other associated parties
1	Credits and indebtedness of clients (contract interest 17-25 %)	-	161	4,254
2	Reserve for debts under credits as of 31 December	-	(54)	(152)
3	Other assets	-	-	4
4	Funds of clients (contract interest 0-21 %)	115,743	918	21,763
5	Reserves for liabilities	-	-	-
6	Other liabilities	1	1	1

Table 32.2. Income and expenses under operations with associated parties for the year 2012

(thousand UAH)

Line	Item	Major participants (shareholders) of bank	Leading management staff	Other associated parties
1	Interest income	-	28	359
2	Interest expenses	(2,473)	(28)	(433)
3	Results from operations with foreign currency	2,728	-	40
4	Commission income	4,375	13	533
5	Commission expenses	(476)	-	-
6	Administrative and other operating expenses	(358)	(3 408)	(240)

Table 32.3. Other rights and liabilities under operations with associated parties as of end of 31 December 2012

Line	Item	Major participants (shareholders) of bank	Leading management staff	Other associated parties
1	Other liabilities	-	173	4,821
1.1	Liabilities on crediting granted	-	173	4,821

Table 32.4. Total amount of credits granted to associated parties and repaid by associated parties during 2012

(thousand UAH)

Line	Item	Major participants (shareholders) of bank	Leading management staff	Other associated parties
1	Amount of credits granted to associated persons during period	-	64	738
2	Amount of credits repaid by associated persons during period	-	67	298

Table 32.5. Balances under operations with associated parties as of end of 31 December 2011

(thousand UAH)

Line	Item	Major participants (shareholders) of bank	Leading management staff	Other associated parties
1	Credits and indebtedness of clients (contract interest 17-25%)	-	173	5 169
2	Reserve for indebtedness under credits as of 31 December	-	(40)	(57)
3	Funds of clients (contract interest 0-21.5%)	58 994	1 038	34 090
4	Other liabilities	1	1	4

Table 32.6. Income and expenses under operations with associated parties for the year 2011

(thousand UAH)

Line	Item	Major participants (shareholders) of bank	Leading management staff	Other associated parties
1	Interest income	-	32	769
2	Interest expenses	(1,328)	(73)	(1,406)
3	Results from operations with foreign currency	4,259	-	21
4	Commission income	2,507	3	617
5	Commission expenses	(263)	-	-
6	Administrative and other operating expenses	(929)	(2,916)	(498)

Table 32.7. Other rights and liabilities on operations with associated parties as of end of 31 December 2011

(thousand UAH)

Line	Item	Major participants (shareholders) of bank	Leading management staff	Other associated parties
1	Other liabilities	-	132	295
1.1	Liabilities on crediting granted	-	132	295

Table 32.8. Total amount of credits granted to associated parties and repaid by associated parties

(thousand UAH)

Line	Item	Major participants (shareholders) of bank	Leading management staff	Other associated parties
1	Amount of credits granted to associated persons during period	-	116	1,721
2	Amount of credits repaid by associated persons during period	-	58	299

Table 32.9. Payments to leading management staff

(thousand UAH)

Line	Item	2012		2011	
		expenses liability	accrued liability	expenses liability	accrued liability
1	**Current payments to employees**	**3,393**	-	**2,899**	-

Note 33. Events after the Balance Date

After the accounting date (31 December 2012) to the date when the Bank's financial statements are formed for 2012 no actions, which would considerably influence the indices of the Bank's financial statements for 2012 and require separate highlighting, occurred.