PUBLIC JOINT STOCK COMPANY
"BANK FOR INVESTMENTS AND SAVINGS"

Financial statements
As at 31 December 2013

Together with Independent Auditor's Report

(original translation from Ukrainian to English)

Contents Page

Statement on the responsibility for the financial reporting preparation and approval of the year ended on December 31 2013

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the financial statements of Public Joint Stock Company "Bank for investments and savings".
Management is responsible for the preparation of the financial statements that present fairly, in all material aspects the financial position of the Bank at 31 December 2013 and results of activities and cash flows year ended 31 December 2013, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making reasonable assumptions and estimates;
- Compliance with relevant IFRS and disclosure of all material departures in the Notes to Financial statements;
- Preparing the financial statements on a going concern basis, unless it is inappropriate to presume that the Bank will continue in business for the foreseeable future.

The Bank Management is responsible for:

- Designing, implementing and maintaining an effective and sound system of the Bank internal controls;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Bank, and which enable them to ensure that the financial statements of the Bank comply with IFRS;
- Guaranteeing compliance of financial accounting to the legislative regulations and accounting standards in force in Ukraine;
- Taking such steps as are reasonably available to them to safeguard the assets of the Bank; and
- Preventing and detecting fraud and other irregularities.

The financial statement for the year ended on December 31 2013 is approved and signed in the name of the Bank

April 3, 2014

Acting Chairman ______________ /V. Ye. Antonyuk/

Chief Accountant ______________ /T. O. Verba/

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Independent Auditor's Report

To the shareholders and management of PJS "Bank for Investments and Savings"

Report on the Financial Statements

We have audited the annual financial statements of Public Joint Stock Company "Bank for Investments and Savings", Kyiv, Ukraine (the "Bank") for the year ended 31 December 2013, comprising the statement of financial position as at 31 December 2013, the statement of profit or loss and other comprehensive income for 2013, the statement of changes in equity for 2013, the statement of cash flows for 2013, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management of the Bank is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards ("IFRS") and for such internal control as the management deems necessary to ensure the preparation of the financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the requirements of the Law of Ukraine "On auditing", International Standards on Auditing, Assurance and Ethics of the International Federation of Accountants. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material aspects, the financial position of the Bank as at 31 December 2013, and its financial results and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matters

Without changing our opinion, we draw your attention to information in the Note 2 to the financial statements, which indicates that the Bank operates in a political and economic crisis that escalated in Ukraine since November 2013. The political and economic situation in the country will largely depend on the effectiveness of actions that are to be undertaken by the country government. Therefore, currently it is impossible to estimate the effect that the political and economic crisis will have on the Bank's financial position and its performance results in the future. These annual financial statements do not include any adjustments that would have taken place if the Bank was unable to continue operations in the future.

Kyiv, 3 April 2014

BDO LLC

Statement of financial position
as of 31 December 2013

(Thousands of UAH)

Item	Notes	Reporting Period	Previous period
1	2	3	4
ASSETS			
Cash and cash equivalents	6	312 903	316 132
Obligatory reserves in the National Bank of Ukraine		34 990	14 248
Trading securities	7	-	15 540
Due from other banks	8	185 649	150 793
Loans to customers	9	1 736 955	1 604 085
Securities available for sale	10	180	-
Securities held to maturity	11	-	17 451
Deferred tax assets		-	419
Property and equipment and intangible assets	12	21 360	23 319
Other financial assets	13	6 490	3 504
Other assets	14	3 923	2 037
Assets Total		**2 302 450**	**2 147 528**
LIABILITIES			
Due to banks	15	260 117	255 042
Due to clients	16	1 724 352	1 599 458
Other borrowed funds	17	16 523	640
Current income tax liabilities		75	725
Deferred tax liabilities	27	720	-
Provisions for liabilities	18	253	321
Other financial liabilities	19	3 028	772
Other liabilities	20	2 770	2 888
Liabilities Total		**2 007 838**	**1 859 846**
EQUITY			
Statutory capital	21	250 000	250 000
Retained earnings		10 223	3 423
Reserves and other funds		34 389	34 259
Equity Total		**294 612**	**287 682**
Liabilities and Equity Total		**2 302 450**	**2 147 528**

Approved for the issue and signed

of April 02, 2014 Acting Chairman V. Ye. Antonyuk

N. Yu. Dyadyura 207-70-35 Chief Accountant T. O. Verba

Statement of profit or loss and other comprehensive income

(Thousands of UAH)

Item	Notes	Reporting Period	Previous period
1	2	3	4
Interest income	23	270 709	221 843
Interest expense	23	(197 743)	(160 947)
Net interest income/ (Net interest expense)		**72 966**	**60 896**
Commission income	24	19 592	15 608
Commission expense	24	(1 685)	(1 872)
Results of transactions with the securities of the Bank trading portfolio		(77)	3 340
Results of trading transactions with other financial instruments		(3 771)	(3 159)
Results of transactions with the foreign currency		1 857	4 631
Results of revaluation of the foreign currency		5 643	(463)
Provision for impairment of loans and due from other banks	8,9	(2 637)	(1 761)
Impairment of securities available for sale		(604)	-
Provisions for liabilities	18	68	(309)
Other operating income	25	941	2 803
Administrative and other operating expense	26	(80 489)	(74 144)
Profit/(loss) before tax		**11 804**	**5 570**
Income tax expenses	27	(2 401)	(1 218)
Profit/(loss) for the year		**9 403**	**4 352**
Other comprehensive income:		-	-
Total comprehensive income for the year		**9 403**	**4 352**
Earnings /(loss) attributable to an ordinary share:	28		
Basic earnings/(loss) per share		37,61	17,41
Diluted earnings/(loss) per share		37,61	17,41

Approved for the issue and signed

of April 02, 2014 Acting Chairman V. Ye. Antonyuk

N. Yu. Dyadyura 207-70-35 Chief Accountant T. O. Verba

Statement of changes in equity

(Thousands of UAH)

Item	Notes	Statutory capital	Provisions, other funds and provisions of revaluation	Retained earnings	Total
Remained balance as of December 31, 2011		**250 000**	**34 152**	**1 208**	**285 360**
Allocation of annual profit			107	(107)	-
Total comprehensive income				4 352	4 352
Dividends	29			(2 030)	(2 030)
Remained balance as of December 31, 2012		**250 000**	**34 259**	**3 423**	**287 682**
Allocation of annual profit			130	(130)	-
Total comprehensive income				9 403	9 403
Dividends	29			(2 473)	(2 473)
Remained balance as of December 31, 2013		**250 000**	**34 389**	**10 223**	**294 612**

2012 - According to the General Meeting of Shareholders Minutes on March 31, 2011, the Reserve fund was founded on the basis of 2011 income in amount of UAH 107 000, in order to cover contingent losses and expenses.

2013 - According to the General Meeting of Shareholders Minutes on April 13, 2012, the Reserve fund was founded on the basis of 2013 income in amount of UAH 130 000, in order to cover contingent losses and expenses.

Approved for the issue and signed

of April 02, 2014 Acting Chairman V. Ye. Antonyuk

N. Yu. Dyadyura 207-70-35 Chief Accountant T. O. Verba

Statement on cash flows

(Thousands of UAH)

Item	Notes	Reporting Period	Previous period
1	2	3	4
CASH FROM OPERATING ACTIVITIES			
Income/(loss) before taxation		11 805	3 541
Adjustment:			
Amortization and depreciation		3 930	5 117
Net increase / (decrease) of provisions on assets depreciation		3 174	3 082
Amortization of a discount/(premium)		(808)	(1 146)
Results of transactions with trading securities		77	
Results of transactions with derivatives		3 771	
Results of transactions with the foreign currency		(5 643)	
(Total income)		2 884	(3 324)
Total expense		2 833	3 927
Other non-cash flow of assets		352	34
Net cash income / (loss) from operating activities before changes in operating assets and liabilities		**22 375**	11 231
Changes in operating assets and liabilities			
Net (increase) / decrease of statutory provisions in the National Bank of Ukraine		(20 742)	5 975
Net (increase) / decrease of trading securities		16 142	(15 540)
Net (increase) / decrease of due from other banks		(44 862)	(89 738)
Net (increase) / decrease of loans to customers		(131 230)	(152 880)
Net (increase) / decrease of other financial assets		(2 981)	532
Net (increase) / decrease of other assets		(1 886)	(766)
Net increase / (decrease) of due to banks		5 021	160 880
Net increase / (decrease) of due to clients		127 555	80 283
Net increase/(decrease) of liabilities provisions		(68)	309
Net increase/(decrease) of other financial liabilities		2 053	(3 538)
Net cash received (used) from the operating activities before payment of the income tax		**(28 623)**	**(3 252)**
Paid income tax		(1 912)	(118)
Net cash received / (used) from the operating activities		**(30 535)**	**(3 370)**
CASH FROM INVESTMENT ACTIVITIES			
Purchase of securities in the Bank portfolio available for sale	10	(784)	-
Revenues from redemption of securities in the Bank portfolio before redemption		16 808	-
Purchase of the fixed assets	12	(1 899)	(5 840)
Revenues from sale of fixed assets	12	-	-
Purchase of the intangible assets	12	(92)	(1 160)
Net cash received / (used) from the investment activities		**14 033**	**(7 000)**

(UAH thousands)

CASH FROM FINANCIAL ACTIVITIES			
Common shares emission		-	-
Receipt of other attracted funds		15 882	-
Return of other attracted funds	17	(136)	(117)
Paid dividends	29	(2 473)	(2 030)
Net cash received / (used) from the financial activities		**13 273**	**(2 147)**
Net increase / (decrease) of cash and its equivalents		(3 229)	(12 517)
Cash and cash equivalents as for the beginning of period	6	**316 132**	**328 650**
Cash and cash equivalents as for the end of period	6	**312 093**	**316 132**

Approved for the issue and signed

of April 02, 2014 Acting Chairman V. Ye. Antonyuk

N. Yu. Dyadyura 207-70-35 Chief Accountant T. O. Verba

Note 1. General information about the Bank activity

Bank for Investments and Savings Public Joint Stock Company (hereinafter – the Bank) is registered by the National Bank of Ukraine on August 9, 2005.

The registered address of the Bank is 83-D Mel'nykova Street, Kyiv-04119, Ukraine.

The Bank web-site address is www.bisbank.com.ua.

The reporting period presented in this Report is year 2013.

The report has been prepared as for December 31 2013 and represented in thousands of hryvnias.

The Bank is an element of the bank system of Ukraine (as for the end of 2013 there are 180 operating banks in Ukraine), which is regulated by the National Bank of Ukraine.

The Bank is an independent financial institution and is not a part of consolidated groups or subsidiary structure of any other companies. The supreme body of Management is the General Shareholders Meeting of The Bank for Investments and Savings JSC.

The Bank is an active member of the Deposit Guarantee Fund.

As of the end of 2013, the number of the Bank employees was 211 people (as for the end of 2012, the number of the employees was 206 people).

As of the reporting date, the regional network of the Bank consists of the Principal Bank and 23 branches that cover the majority of Ukraine regions.

The strategic goal of the Bank is to create a new standard of client-oriented service; the strengthening of the Bank reputation as a stable and reliable bank of Ukraine, keeping the tendency of the dynamic increase of the main financial rates and providing the high level of liquidity and solvency.

The Bank provides the bank services according to the licence № 221 dated October 24, 2011, received from the National Bank of Ukraine, and the General licence to perform foreign exchange transactions № 221-3, dated June 21, 2013. According to these licences, the Bank is allowed to perform the following transactions:

1. Involvement into deposits the assets and bank metals from the unlimited circle of legal bodies and individuals;
2. Opening and maintenance of current (correspondent) accounts of clients, the accounts in bank metals included;
3. Placement, including to current accounts, of deposit attracted funds and bank metals on behalf of the Bank on its own conditions and at its peril.
4. Foreign exchange transactions:

Also, since 2009 the Bank has been cooperating with The State Mortgage Institution (the budget institution) in the sphere of market mortgage crediting transactions.

Also, according to the Licences received from the National Securities and Stock Market Commission on November 20, 2011, the Bank is authorized to perform its professional activities on the stock market of stock trading, notably brokerage, dealer activities and underwriting. Moreover, during 2012 the Bank received the National Bank of Ukraine permission to provide a new type of financial service, notably the fiduciary maintenance of assets and stock on the basis of contracts with legal entities and individuals.

In May 2012, the Bank has become a member of ATMoSfera united cash machine network. Also, the implementation of the Internet banking system for legal entities and individuals has been completed in 2013.

The Bank does not have the status of a specialized bank.

Among the main activities of the Bank there are: credit and deposit transactions, settling and cash service of clients, foreign exchange transactions, stock transactions, payment cards transactions, documentary transactions. Te use of the policies of flexible and individual approach to every client allows the Bank constant increasing its own client base and drain the clients' assets to deposits (due to the wide range of services for clients), and also, to provide wide activities in the crediting of the real economy sector of Ukraine.

Also, the Bank performs a wide range of activities on the interbank market. It uses the instruments of the interbank market to drain or place the resources promptly, and also, to perform the foreign currency exchange transactions both in the benefit of the clients and the Bank currency position.

(UAH thousands)

In order to perform international transactions, the Bank has established correspondent relations with DEUTSCHE BANK TRUST COMPANY AMERICAS (the USA), DEUTSCHE BANK AG (Germany), CREDIT EUROPE BANK N.V. (The Netherlands), Promsvyaz JSC (Russia), Pumb PJSC, Kredobank PJSC and others.

The Bank is the member of SWIFT payment system from 2006. In 2008, the Bank for Investments and Savings PJSC has become a member of Visa International international payment system; the Bank has received the registration certificate of the National Bank of Ukraine that confirms the right to issue Visa International payment cards, and has begun the emission of the payment cards of this system, notably, Visa Electron, Visa Classic, Visa Gold, and Visa Platinum. During incomplete six years since the beginning of the emission (as for December 31 2012), the Bank has emitted more than 15.000 cards for its clients and provided salary projects for 142 companies.

In general, according to the results of activities in 2013, Bank for Investments and Savings PJSC has strengthened its positions in the rating of Association of Ukrainian Banks according to the main financial indices:

	as of December 31, 2013 (among 128 banks)	as of December 31, 2012 (among 138 banks)
Net assets	Position 50	Position 51
Capital	Position 67	Position 71
Funds of legal entities	Position 42	Position 48
Funds of individuals	Position 47	Position 43
Financial result	Position 58	Position 65

The Bank successfully continues to realize the important strategic goal to widen a circle of the counter-agents segments. In 2013 the client base of the Bank increased due to:

	as of December 31, 2013	as of December 31, 2012
Number of clients (total), including:	25 231	14 861
- economic entities	1 207	994
- individuals	24 024	13 867

As for December 31, 2013, the owners of the considerable part of the Bank for Investments and Savings Public Joint Stock Company are residents of Ukraine exclusively:

- ***Serhyi Mykolayovych Lahur – 15.91% of the total share capital;***
- ***Stepan Petrovych Ivakhiv – 23.33% of the total share capital;***
- ***Andriy Volodymyrovich Popov – 15.00% of the total share capital (including 14.9996% of direct participation, and 0.0004% of indirect participation, which is expressed in owning of the Kompaniya Evrorezerv Limited Liability Company).***

The part of management in the Bank shares is absent.

There were no mergers, takeovers, partitions or separations of the Bank in the reporting year.

On December 3, 2013, the Credit Rating independent rating agency made a decision about the confirmation of the credit rating of the Bank for Investments and Savings PJSC level, which is uaBBB+, an investment level with a prognosis as "stable". Also, on September 24, 2013, the abovementioned agency made a decision about the increasing the rating of stability of bank deposit to the level of «4», (that is "high reliability"). This rating has been confirmed on December 24, 2013, by the decision of the agency.

Note 2. The economic environment of the Bank activities

During 2013 the Ukrainian economics was functioning under conditions of price stability. In the reporting period, the business activity was not high, due to the unfavorable conjecture on the international goods markets for main articles of Ukrainian export. In the second half-year period, the economic environment has improved due to high performance of the agricultural sector as in the reporting year; a record grain harvest has been gathered. In these conditions, in the IV quarter of 2013, State Statistics Service of Ukraine recorded the real GDP growth after its reduction during previous five quarters. Thus, in general, the economic environment in 2013 was conditionally stable, which encouraged the development of the banking business in Ukraine.

The gross domestic product of Ukraine increased by 0.0 % in 2013. The amount of industry production decreased by 4.3 % due to the decrease of the level of performance of reclamation industry (in particular, light industry, metal production, and oil refining).

In the reporting year, the development of the real economic sector was improved, primarily due to the increase of agricultural production. In general, by the preliminary information of the State Statistics Service of Ukraine, in 2013 the amount of agricultural production increased by 13.7 % (due to the record harvest of grains).

The situation in the building sector stayed difficult in 2013. The amount of building sector production shortened by 14.5 %. That was mainly caused by the limited floating assets of building companies and low investment demand.

The consolidated balance of payments of 2013 was formed with a proficit of US $2.0 bln., unlike 2012, when the deficit was US $4.2 bln. However, the foreign economic activities of economic entities of Ukraine demonstrated the unstable dynamics in 2013: reduced demand and prices for Ukrainian exports became the main factors of the current transaction deficit growth, which reached US $16.1 bln. (due to low economic activity in the countries that are major trading partners of Ukraine, and increasing payments on investment income). Thus, in the background of external demand in global product markets, exports of goods reduced to US $64.9 bln. Reducing of energy supplies imports and low domestic investment demand led to the decrease of imports of goods by 5.8 %, that is to US $84.5 bln.

Despite the low economic activity in Ukraine in 2013, the labour market demonstrated positive tendencies. As of January 1, 2014, the number of registered unemployed individuals has shortened up to 487.7 thousand people, which is 3.8 % lower than in the previous year. However, as of January 1, 2014, the unemployment rate remained at the previous year level and constituted 1.8 %.

A nominal average monthly salary of one employee grew by 7.2 % and constituted UAH 3 619 in December 2013 (comparing to UAH 3 377 as of the end of 2012). On the background of the nominal salary increase and low headline inflation in 2013, the real salary grew by 8.2 %.

The turnover of the retail trade increased to UAH 884 204, or by 9.5 % in 2013 in comparison with 2012 (due to the increase of the real salary during 2013 and the population support of the consumer demand on sufficiently high level.

During all reporting year, consumer prices were at near-zero level, but by results of the year have grown by 0.5 % (comparing to the index of December of the previous year). This is the lowest headline inflation in the history of independent Ukraine (excluding the years, when the State Statistics Service recorded deflation).

Among the positive tendencies one should mention the relative stability of the exchange market of Ukraine: the official rate of exchange of hryvnia to American dollar did not change, and by the end of the year it was 7.993 UAH/USD. It happened also due to the support of the rate stability by the means of the foreign-exchange provisions of NBU (which decreased by 15 %, to USD 20.5 bln during 2013).

In general, the dynamics of the most macroeconomic indices in Ukraine represent the uncertainty of the business activity in the most sectors of economics, but in fact, that did not have bad influence on the economic revival of Ukrainian commercial banks, which assets grew to UAH 1.278 trl, or by 13.4 % during the last year.

Also, the absence of the scandalous cases of the bankruptcy (liquidation) of Ukrainian banks, the relative stability of the exchange market of Ukraine and high profitability of the deposits in 2013 allowed Ukrainians to revive trust to Ukrainian banks, and that has influenced on the increase of the population assets amounts on the bank accounts up to UAH 433.7 bln, or by 19.1%. The assets of the entities also increased up to UAH 234.9 bln, or 15.9 % for the last year. The growth of the resource base due to the clients encouraged the increase of crediting of the real sector of economy: the amounts of credits granted to entities increased to UAH 698.8 bln, or by 14.7% along with the increase of the credit amounts granted to individuals to UAH 167.8 bln, or 3.7 %.

During 2013, the equity capital of Ukrainian banking system continued to increase. For the first time in five years, the total equity capital exceeded the share capital of banks (the imbalance of previous years is explained by significant amounts of accumulated losses during 2009–2011). In general, during 2013, the equity capital increased by 13.7 % and estimated UAH 192.6 bln at the end of 2013. Thus, the general level of bank capitalization increased: the mean value of "regulatory capital adequacy" N2 standard increased from 18.06 % to 18.26 % (the minimum level required is 10 %), which represents the sufficient level of solvency of Ukrainian banking system.

A certain economic stability in 2013 was conductive to decrease of the aggregated past-due credit loans (to UAH 70.2 bln, or by –1.4 %) also due to the significant past-due credit loan forgivenesses to off-balance-sheet accounts and/or novations (selling) of the problem credits to third-party companies. For the second time in last five years, the Ukrainian banking system has completed the year with profit — UAH 1.4 bln (the profit in 2012 was UAH 4.9 bln, while in 2011 and 2010 the losses constituted UAH 7.7 bln and UAH 13.0 bln, respectively). A gradual movement to the profitable activities is connected with the fulfillment by banks the provision forming on distressed loans, the amount of which is gradually decreasing on statements of banks.

In November 2013, the political and economic crisis in Ukraine intensified. Banks faced the deterioration of economic activity in many sectors of the economy, resulting in lower revenues of enterprises and population, and the depreciation of the national currency led to an increase in the financial burden on businesses and households. In the nearest future, the political and economic situation in the country will largely depend on the effectiveness of actions that government will take. Therefore, now it is impossible to estimate the effect that political and economic crisis will have on the Bank financial position and results of its activities in the future. This annual financial statement does not include any adjustments that would occur, if the Bank became unable to continue its activities the future.

Note 3. Principles of the financial statement presentation

The annual financial statement of the year ended on December 31, 2013, has been drafted by the Bank according to the requirements of the International Financial Reporting Standards (IFRS), which have been adopted and issued by the International Accounting Standards Board (IASB), and explanations published by the IFRS Interpretations Committee (IFRS IC).

The Bank maintains accounting records according to the rules and provision to the maintenance of accounting and reporting in the banking institutions of Ukraine, taking into consideration the basic provisions of IFRS.

This financial statement has bee drafted on the basis of accounting records maintained in accordance with the abovementioned requirements, and has the adjustments and declassifications necessary to bring the statement into conformity with the provisions of IFRS, including:

- provisions for possible losses on the active bank transactions;
- deferred taxes.

The financial statement as for 2013 is drafted under the assumption that the Bank is able to continue its activities on a going concern in the nearest future. The Bank management and shareholders have the intention to further develop the Bank activities in Ukraine. The Bank management reckons that such assumptions about the Bank ability to continue operations on a going concern basis are appropriate, taking into the consideration of the appropriate level of capital adequacy to support the intentions of the Bank shareholders, as well as historical experience, which indicates that short-term liabilities will be refinanced in the normal course of business.

Functional and presentation currencies

The functional currency of the Bank accounting record maintenance and financial statement drafting is Ukrainian hryvnia. Unless other is specified, the statement is represented in hryvnias and rounded to thousands. Balances on the analytical accounts that are recorded in the Bank balance sheet in a currency other than the functional one at the balance sheet date , are recalculated into the functional currency at the official exchange rates of foreign currencies, and:

- assets and liabilities in the statement of financial position are recalculated at the official exchange rate at the end of the day the respective reporting period;
- components of capital, if any, are recalculated at the historical exchange rate.

(UAH thousands)

The income and losses are not recalculated, as records of such accounts are maintained in the balance sheet only in the functional currency.

As of December 31, 2013, the main exchange rates used for recalculations of sums in the foreign currencies, were as follows:

	December 31, 2013	December 31, 2012
USD 100	799,3000	799,3000
EUR 100	1 104,1530	1 053,7172
RUB 10	2,4497	2,6316

Note 4. Accounting policy principles

Note 4.1. Consolidated financial statement

The Bank does not have any associated or subsidiary companies, and therefore, it does not compile the consolidated financial statement.

Note 4.2. The assessment principle of financial statement compilation

In the drafting of the financial statement in accordance with the provisions of IAS 1 "Financial Statement Presentation", the bases of estimation of financial instruments (including cash / liabilities / equity instruments) of the Bank are: fair value, initial cost and amortized cost. The estimation methods are described below.

The fair cost is the amount at which a financial instrument could be exchanged, or with the help of which the liabilities during the contract performance between well-aware, not connected parties, acting at their own will, can be regulated. Fair value is a current bid price fro cash and the price for financial liabilities, which are quoted in the active market. A financial instrument is considered as quoted on the active market, if quoted prices of such financial instrument are freely and regularly available at a stock exchange or other institution, and those prices represent actual and regular market transactions performed under standard terms.

In order to determine the fair value of certain financial instruments, for which there is no information on market prices from external sources available, the following estimation methods are used: discounting of cash flows, estimation models based on the data use of recent agreements conducted between unrelated parties, or financial data analysis on investees. The usage of estimation methods may require assumptions not supported by market data. In this financial statement, the information disclosed in those cases, where the substitution of any such possible assumptions with the alternative one, would result in significantly different indices of profit, income, total assets or total liabilities.

The initial cost is the amount of money paid in cash or cash equivalents, or the fair value of other resources given to acquire an asset at the acquisition date, which includes transaction costs. The estimation using the initial cost is only applicable to investments in equity instruments that do not have a quoted market price, and which fair value can not be reliably determined.

Amortized cost is a cost on initial recognition of financial instruments minus principal redemption and plus accrued interest; and for financial assets, it must be minus any depletion for incurred impairment losses. The accrued interest includes depreciation of transaction costs deferred at initial recognition, and of any premium or discount of maturity value using the effective interest rate. Accrued interest income and accrued interest expense, including both accrued coupon profit and amortized discount or premium (including fees transferred to next periods at the first recognition, if any), are not presented separately, and are included to the balance-sheet value of related balance sheet articles.

Note 4.3. Initial recognition of financial instruments

A financial instrument is a contract that simultaneously leads to incurrence (increase) of the financial asset of one economic entity and a financial liability or equity instrument of another.

The Bank recognizes the financial asset in its balance, when the Bank becomes a party of contractual provisions considering this financial instrument.

According to 39 "Financial Instruments: Recognition and Measurements", the financial instruments of the Bank are classified at the moment of their acquisition as: loans and receivables; financial asset at fair value with representation through profit and loss; held-to-maturity investments; financial asset available for sale; financial liabilities, which are estimated at fair value with representation of revaluation through profit or loss; and financial liabilities at amortized cost.

During the initial recognition of the financial asset or liabilities, the cash or liabilities are estimated at their fair value, plus (in case the financial asset or liabilities estimation not at their fair value with their representation as profit or loss) transaction expanse directly related to the acquisition or issue of the financial asset or liabilities. After the initial recognition they are represented at amortized cost with using of the effective interest rate instrument, excluding the cash at fair value with representation of revaluation through profit or loss.

At the initial recognition, fair value is best proved by the contract cost. The profit or loss during the initial recognition is accounted only in that case, if there is a difference between fair value and contract cost, which can be proved by the current contracts with the same financial instrument, or estimation methods, which as basic data are using the open market information only.

All transactions of purchase or sale of financial assets, which presuppose the delivery during the period defined by law or accepted by market, are recognized on a date of transaction, that is the date the Bank assumes responsibilities of purchase of the asset. All other transactions of purchase of financial instruments are recognized on a settlement date that is a date of proprietary transfer of such instruments.

The initial recognition of financial instruments is performed using the following values of separate items of assets and liabilities.

Financial assets

Loans and receivables. The loans are initially recognized at their fair value. The fair value is a sum of actually allocated funds and expenditures that are directly connected to the transaction, including: fees and additional fees; transaction costs and other premiums or discounts; income arising from receipt by the purchaser of the trade discount or rebate on the amount; and differences between the contractual and fair value. Receivables are initially recorded at fair value, which is equal to the cost of its acquisition.

Financial assets with revaluation recognition at fair value through profit and loss. This category includes securities recognized by Bank during the initial recognition, towards which the Bank has an intent and possibility of account at fair value with revaluation recognition through profit and loss. After the initial recognition the abovementioned securities are calculated in a trade portfolio. The expenditures for purchase transactions are recognized through the expenditures accounts during the initial recognition of such securities.

Financial assets available for sale. This category includes non-derivative financial assets, which the Bank intends to hold during indefinite time, and which can be sold to cover the liquidity, or in response to changes of interest rates, foreign exchange rates or stock cost. Securities are considered as such assets. The securities for sale after the initial recognition are calculated at fair value with further revaluation. As for the reported date the securities available for sale in the Bank portfolio are absent.

Held-to-maturity investments. This category of cash includes non-derivative financial assets, which have market quotation with the fixed payments, or assets that shall be recognized, and fixed terms of maturity, which the Bank has an intent and possibility to hold to maturity terms. The investment securities are considered as such investments. Bank held-to maturity investments after the initial recognition are calculated at amortized cost.

Financial liabilities

Debts to other banks. Debts to other banks are calculated from the moment of granting to the Bank of the cash assets or other assets by counter-agent banks and the National Bank of Ukraine. These debts are granted loans by counter-agent banks, granted loan of refinancing by the NBU. Mentioned non-derivative financial liabilities are calculated at amortized cost.

Due to clients. Assets and deposits are recognized by the Bank during their involvement from clients, who are the owners of the cash assets (individuals and entities). The attracted funds of clients include non-derivative financial liabilities to individuals, state or corporate clients, and are calculated at amortized cost.

Provided guarantees to clients are initially evaluated at fair value, which is the sum of received fees (rewards for guarantees provided). The fee received for guarantee provided is amortized by the straight line method through the duration period of the respected guarantee.

Debt securities of own emission. The Bank can realize the debt securities by the nominal value, with discount or premium. Interest charge and discount (premium) depreciation on these securities is performed using the effective interest method and depending on conditions of securities issuing, but at least once in a month during the period from the security sale until its maturity. As for the reported date the debt securities of own emission in the Bank portfolio are absent.

Note 4.4. Depreciation of financial assets

The Bank creates the provisions for possible impairment (depreciation) for all categories of cash excluding those calculated at fair value through profit or loss.

The Bank considers the cash as an impaired one, and the damages due to impairment are arising for the Bank only in that time, when there are objective signs of impairment in a result of one or several events, which had place after the initial recognition and can be authentically evaluated, and such case or cases of arising of detrimental events have influence on expected future cash flows or a group of financial assets, which can be authentically defined.

The objective sign of impairment (depreciation) of cash is information drawing attention of the asset holder, considering such detrimental events:

- significant financial difficulties experienced by the issuer or debtor;
- breach of contract, such as failure to comply with terms of the agreement, or debt arrears on the payment of interest or principal payments;
- the Bank concessional loan granting (for economic or legal reasons relating to the debtor financial difficulties) that the lender would not consider in other conditions;
- probability of bankruptcy or other financial reorganization of the debtor;
- disappearance of an active market for this financial asset due to financial difficulties;
- available data indicating a significant reduction in the estimated future cash flows from a group of cash since the initial recognition of such assets, although the reduction in certain cash of the group is not yet possible to identify, including:
  - adverse change in the solvency status of debtors in the group (for example, an increase in the number of delayed payments or credit card debtors, who have reached their credit limits and pay the minimum monthly payments); or
  - all-state or local economic conditions that correlate with defaults on assets in the group (for example, the unemployment rate in the geographical area, where the debtor act; price drop on the property that is the subject of mortgages, falling oil prices for assets loans that are loans granted to oil producers; negative change of production conditions that affect the debtors in the group).

The depreciation of cash is represented by the means of forming of provisions for reimbursement of possible losses of active banking transactions at the Bank expense.

In order to form the provision of financial assets, the Bank estimates the risks of such assets, starting from the date of their recognition in the account until the date of their derecognition.

The Bank estimates the risk of non-fulfillment of obligations by debtor/counter-agent, and forms the provision to its full extent, regardless of the amount of its income as for the first day of every month following the reported one.

The expenditures of impairment (depreciation) of cash are presented in Income and Losses and Other Revenues Statement.

The assets, the maturity of which is considered as impossible, and in relation to which all necessary procedures of full of partial reimbursement are completed, and the final loss sum is defined, are written-off at the expense of formed provision on impairment.

The decision on reimbursement (writing-off) at the expense of provision of bad debts is made by the Bank Management.

In case the revenues from previously written-off assets are received, they are recognized as revenue in the accounts for the accounting return of previously written-off debt (for assets that are charged at provision expense in the previous year) or they reduce the bill for accounting the allocations to provisions (for assets that are charged against the provisions in the current year).

Note 4.5. Derecognition of financial assets

The Bank derecognizes the cash (or a group of financial assets) in the following cases:

- the period of validation for cash flows of the financial assets, defined by the agreement, terminates;
- transfer of financial asset adheres to the criteria of derecognition, which are provided below.
    - The banks transfers the proprietary of receipt of cash flows from the financial asset, defined by the agreement;
    - The Bank provisions the right to receive the cash flows from the financial asset provided by the contract on transfer, but it assumes responsibilities of cash flows payment to one or several receivers according to the contract that corresponds to following conditions:
        a) The Bank does not have any obligations of payment to a final buyer before the receipt of the initial asset equivalent amount.
        b) The terms and conditions of the contract prohibit the Bank to sell or deposit the initial asset as a pledge, excluding its transfer to the final receiver as a guarantee of payment of cash flows.
        c) The Bank is obliged to transfer any cash flows, which are encash ed by it, due to the power of attorney issued by final buyers without a significant delay. Moreover, the Bank does not have the right to reinvest such cash flows, except for investment funds or equivalent assets within a short maturity period from the encash date to the date of their necessary transfer by the final receiver. Interests on such investments are transferred to final receivers.

During the transfer of the financial asset, the Bank evaluates the bounds, where it provisions all the risks and rewards from possessing of the asset, including:

1) If in general all risks and rewards of possessing of the financial asset are being transferred by the Bank, then the Bank can derecognize the financial asset and recognize rights and liabilities evolved or provisioned during the transfer as an asset or a liability, separately.
2) If the Bank provisions all risks and rewards of possessing of the financial asset, then the Bank is still recognizing the financial asset;
3) If the Bank does not transfer and provision all risks and rewards of possessing of the financial asset, then the Bank defines whether the control over the financial asset is provisioned.

The Bank has no control over the transferred asset, if the party receiving these assets is able to sell it to the third unrelated party and can perform this selling unilaterally without a need to set additional restrictions for such transfer.

If the control over the financial asset is not provisioned, the Bank derecognizes such asset and recognizes the rights and liabilities, evolved or provisioned during the transfer, as an asset or a liability, separately.

In case the control over the financial asset is provisioned, the Bank continues to recognize such transferred assets in the bounds of its further share.

Note 4.6. Cash assets and their equivalents

Cash assets and cash equivalents are assets that can be converted into cash on first demand and which are subject to an insignificant risk of changes in value. Cash assets and their equivalents include the cash assets balances on correspondent accounts in the National Bank of Ukraine, balances on correspondent accounts in Ukrainian banks, loans and overnight deposits.

Cash assets and their equivalents are accounted at amortized cost.

Cash balances of required provision in the National Bank of Ukraine are accounted at amortized cost, and represent required provision deposits, which are not available to finance the Bank routine operations and hence are not related to cash assets and their equivalents for the purpose of the compilation of the Statement on Flow of Cash Assets. The cash assets and their equivalent do not include the assets having restrictions in their use, in particular, assets and assets in accounts and cash cover placed in other banks demanded by the counter-agent bank in different transactions (letters of credit etc.).

The information on the cash assets and their equivalents is disclosed in Note 6 "Cash assets and their equivalents".

Note 4.7. Bank metals

The Bank performs purchase and sale of the bank metals with the aim to generate profit due to the short-term fluctuations of prices or dealer's margin. Gold and other bank metals are accounted according to the rates of the National Bank of Ukraine, which approximately correspond with fair value, and the gains and losses are represented as a part of gains and losses and other comprehensive income. As a result of the Bank evaluating the bank metals at fair value, the requirements of IAS "Provisions" are not applied to them as for the value. The information on the bank metals is disclosed in Note 13 "Other assets".

Note 4.8. Trading securities

To this category of the cash the Bank includes the trading securities accounted at fair value with recognitions of the revaluation results through profit and losses.

The securities are classified as trading securities, if they have been purchased by the Bank with the aim of their sale in short-term prospects and receipt of the profit from the short-term fluctuations of the market price, and they are accounted in the trade portfolio.

The trade portfolio has the following securities as accounted:

- Debt securities, shares and other common shares, which are used by the Bank in order to receive profit in a result of the short-term fluctuations of price or dealer's margin and sale in the nearest future;
- Any other securities, which are defined by the Bank as those the Bank has an intent and possibility to account at fair value with the recognition of the revaluation through income and expenses (excluding the securities not having the quoted price on the active market and the fair value of which is difficult to define accurately) during the initial recognition.

The trade securities are initially evaluated at fair value. The expenses for transactions of purchase are recognized in the accounts of expenditures during the initial recognition of such securities.

In case of change of a fair value, the revaluation of the securities is performed according to the data of the last quotation in the reporting period at the officially organized market. The result of revaluation is obligatory represented in the accounting as for the balance date.

In order to define the fair value of the securities, according to which the quotation as listed securities registered in the Stock Register are disclosed, the Bank follows "Financial Instruments: recognition and Measurement" of International Accounting Standard 39, namely: current fair value of security is defined by its quoted price of the purchaser according to disclosed quotations of listed securities at stock exchange as for the date of the close of last exchange day of the reported month. In case of absence of such quotations on the defined date, the Bank must define the fair value of the security according to the last stock price, which is defined by the results of the stock trading that took place during last five days of the reported month.

Results of changes of the fair value of the trading securities prices are disclosed in the Statement articles on income and expenses and other comprehensive income, that are "Income / (losses), which arise during initial recognition of cash at interest rate higher or lower than the market one", and "Results of revaluation of other financial instruments accounted at fair value with recognition of results of revaluation through income and expenses".

Trading securities are not reviewed for impairment.

In case of sale of securities from the trading portfolio, the profit or loss (the difference between the sale cost and balance cost) is represented in the article "Results of transactions with securities of the trading portfolio of the Bank" of the Statement on Income and Losses and Other Comprehensive Income.

The interest charge is performed depending on the securities issuing conditions, but no less than once in a month during the period starting from the date of security acquisition until the its maturity date or sale.

Note 4.9. Loans to customers

Loans to customers are non-derivative financial assets with fixed payments or payments which are to be recognized and do not have a quotation on the active market, and shall be returned on the fixed date or a date may be defined. Whereby the Bank does not have an intent to perform the trading transactions with these receivables.

The loans and receivables of the clients are represented beginning from the moment of granting of cash assets to the creditors. The Bank evaluates the granted loans during the initial recognition at the fair value, including the expenditures for transaction and other payments, which are connected with the loans initiating With the presence of the active market, the fair value of loans is measured by the Bank using the method of discounted cash flow analysis through the market interest rate for the similar financial instrument. If such active market is absent, the fair value of the loans is defined by other methods of measurement (the market price is defined as a sum of a common market-value (e.g. LIBOR rates, EURIBOR etc.). The market interest rates are set by the decision of the Assets and Liabilities Management Committee of the Bank.

The loans granted at the interest rate, higher or lower, than the market interest rate, are measured as for the date of grant at the fair value, which presents future interest payments and payments of principal debt discounted cum of market rates of analogue loans. At that, the Bank recognizes the profit or loss of the first day at amount of the difference between the fair and nominal value of the loan. Income of loss recognized by the Bank is represented in the Statement on income and expenses and other comprehensive income in the article "Income/ (losses), which arise during initial recognition of cash at interest rate higher or lower, than the market one".

In what follows, the loans to customers are measured at amortized cost price using the effective interest rate during the depreciation of a discount (premium) and interest charge. The depreciation of the discount (premium) of the financial instruments is performed along with the interest charge.

During the reporting period of 2013, the Bank granted guarantees of provision of offer and guarantees of provision of contract conditions implementation to clients. The granted financial guarantees are initially estimated at fair value, which equals to the amount of received fees (reward for guarantee granted). The fee received for the granted guarantee is amortized during the term of validity by straight line depreciation method.

In order to maintain the solvency of the debtors, which are in a difficult situation due to the unforeseen circumstances, relevant decrease of the credit risk and provision of the stability of its activities, the Bank performs the restructuring of credit transactions.

Restructuring is a change of significant conditions of the credit transactions with the characteristics of depreciation accepted by both parties (the Bank and the Debtor) in the signed additional contract to existing credit agreement, or a conclusion of a new contract on crediting with the financing of existing receivables aiming to decrease the debt load of the Debtor and resumption of his solvency.

The Bank uses standard variants of restricting (change of the date of credit repayment, deferral of periodical payments at main amount of debt and/or at interest (profit) charge for credit transactions, credit foreign exchange change to the national currency, refinancing, decrease of the interest rate of the credit (permanently or temporarily) or decrease of the amount/disuse of the contractual presumptive damages etc.).

The Bank is constantly analyzing the restructured loan in order to control the quality of the restructuring performance and ability to perform future payments. Such loans will be measured for the impairment at a later date.

Income and expenses on loans are recorded in the accounting using the effective interest rate.

The information on the loans and receivables is disclosed in the Statement on the financial conditions in Note 9 "Loans to customers".

Note 4.10. Securities in the Bank portfolio available for sale

In the portfolio of securities available for sale, the shares and other common securities, debt securities, which were not classified to other portfolios, are accounted.

The securities for sale in the Bank portfolio are initially estimated and represented in the accounting at:

- fair value;

- prime cost considering impairment: shares and other securities with variable income, which fair value can not be reliably determined.

The profit from the debt securities is recognized on a daily basis. The depreciation of the discount (premium) of the financial instruments is performed along with the interest charge.

The expenditures on transactions connected with the purchase of the debt securities to the portfolio for sale are represented for the accounts of the discount (premium) during the initial recognition of these securities.

The securities available for sale in the Bank portfolio as for the reported date are UAH 784 ths. The details on this liability are given in the Note 11 "Securities available for sale in the Bank portfolio".

Note 4.11. Sale (purchase) of securities with liabilities of buy-sell back agreements

In the accounting, the Bank represents the transactions of sale or purchase of securities with a buy-sell return at a fixed price of one and the same counteragent as repos, regardless of the number of contracts that executed these transactions. .

All income or losses, which arise from the transactions of sale (purchase) of the securities with liabilities of buy-sell back are recognized as interest, and are charged during the time of validity of the reverse repurchase agreements using the effective interest rate method.

During the reporting period of 2013, the Bank has not performed any sale (purchase) of the securities with liabilities of buy-sell back transactions.

Note 4.12. Securities held-to-maturity in the Bank portfolio

In the held-to-maturity securities portfolio, securities with fixed payments or payments that can be defined, as well as securities with a fixed payment, which the Bank intends to hold to maturity in order to receive the interest profit, are accounted.

The purchased securities held-to-maturity in the portfolio are initially estimated and represented in the accounting at prime cost. After the initial recognition the securities held-to-maturity in the portfolio are represented in the accounting at amortized cost using the effective interest rate method.

The profit recognition and depreciation of the discount (premium) of securities are performed using the effective interest rate method.

The expenditures for transaction, made during the purchase of the securities, are included into the cost of purchase and represented at accounting of the discount (premium) account.

Note 4.13. Investments to associated companies

The investments to associated companies are the shares and common shares of emitters, which correspond to the definition of the Bank associated company, excluding securities that are purchased and/or held only until the sale in 12 months since the purchase date.

The investments placed to associated companies are initially measured and represented in the accounting at prime cost. The expenditures on transactions connected with the purchase of the investment increase the amount of such investment as for the date of its purchase.

The investments to associated companies are accounted using the equity participation method with considering its impairment, and are represented in the accounting at the value, which is defined with considering the change of the total equity amount of the associated company, excluding those, which are the results of transactions between the Bank and the associated company.

During the reporting period of 2013, the Bank has not performed any transactions of investments to associated companies.

Note 4.14. Investment property

The investment property is:

- Land not to be sold in the short-term prospects during the performance of activities, but held in order to receive the profit from the capital growth in long-term prospects;
- Land, the further usage of which is yet undefined;
- Building in the Bank property (or in its disposal according to the financial leasing (rent) and 90% (or a part) of which are provided for leasing (rent) according to one or several operating leasing agreements;

- Building, which is not occupied and aimed to be leased (rented) according to one or several operating leasing agreements;
- The property, which is being built, or improved for the further usage of it as investment property.

In the reporting year of 2013, according to the defined criteria, the Bank has not recognized any investment property.

Note 4.15. Goodwill

In the reporting year of 2013, the Bank has not recognized the goodwill.

Note 4.16. Fixed assets

Purchased (produced) fixed assets are represented in the accounting at initial cost, which includes all the expenses connected with the purchase (production), delivery, installment and reduction to the state appropriate for intended use.

The initial cost of fixed assets increases on the expenses amount connected with the repairmen of the object (modernization, reconstruction etc.).

The depreciation of the fixed assets is accounted starting from the first day of the month following the acquisition month, and the charge terminates from the first day of the month following the month of fixed asset retirement.

Standards used to charge the depreciation of fixed assets are calculated depending on the period of their effective usage (maintenance) according to the straight line method. In 2013 the depreciation method has not been changed.

The standards of depreciation charges have been set by the permanently acting commission during putting into transaction of the fixed assets on the basis of their effective usage period, which has values in bounds of the following fixed assets objects:

- Plot of land are not amortized;
- Houses, buildings and transmitting devices – 20 years;
- Machinery and equipment – 4-10 years;
- Means of transportation (motocars) – 5 years;
- Tools, devices, stock (furniture) – 4-5 years;
- Other fixed assets – 12 years.

The depreciation of tangible negotiable assets of a little value are accounted in the first month of the object usage in the amount of its 100% cost.

At the beginning of the reporting year of 2013, the Bank changed the useful life and depreciation standards of "Buildings, structures and transmission devices" fixed assets group due to the expected economic benefits from their use.

In the Bank, the recognition of the impairment of the fixed assets is accepted by the permanently acting commission is case, if there are signs of possible losses of economic benefits of the fixed assets. On the basis of the analysis of the possibility of loss of economic benefits of non-current assets, the decision on the recognition of objects and restore of noncurrent assets utility is made.

In the reporting year of 2013, the Bank has not recognized the impairment of the fixed assets, having regard to the absence of the possible loss of economic benefits of the fixed assets, which are accounted on the Bank balance.

In the Statement on Financial Position the fixed assets are represented in residual value, which is the difference between the initial cost and the accumulated depreciation of the fixed assets, and also, having regard to possible losses due to impairment.

Note 4.17. Intangible assets

In general, the Bank accounts the right to use the software in order to provide the Bank activities automation as intangible assets.

During the initial recognition, the intangible assets are accounted at their initial cost, which includes all expenses connected with their purchase (creation), delivery, and installment and putting into operation. Further, the intangible assets are represented at their cost minus the accumulated depreciation and damages due to impairment.

The depreciation of intangible assets is accounted monthly using the straight line method according to the beneficial usage period of the intangible assets. In 2013, the depreciation method and standards have not been changed. The depreciation of the intangible assets is charged during the beneficial usage (maintenance) period of the object.

The revision of the depreciation standards and the periods of the beneficial usage of intangible assets put into operation is performed in case of change of the expected benefits from their usage. In the reporting year of 2013, the Bank has not changed the standards of depreciation and period of beneficial usage of the intangible assets.

In the Bank, the recognition of the impairment of the intangible assets is accepted by the permanently acting commission is case, if there are signs of possible losses of economic benefits. The analysis of the possibility of the economic benefits losses is performed by the Analysis and Risk Management Department, on the basis of which the permanently acting commission makes decisions as for recognition of impairment or renewal of the benefits of the intangible assets objects.

The Bank has not recognized any impairment of the intangible assets in the reporting year of 2013 considering the absence of the possible loss of the economic benefits of the intangible assets accounted on the Bank balance.

Note 4.18. Operating leasing (rent), with the Bank acting as lessor and/or lessee

Leasing (rent) of assets, under which the risks and rewards of the ownership right of the leased property, remains in the lessor's possession, are classified as operating leasing (rent).

During the reporting period of 2013 the Bank was the grantor of service premises granted as operating leasing. Leasing (rental) payments under the contracts on obtaining assets to operating leasing (rent) are recognized as operating expenses. Information on costs derived from operating leasing of fixed assets is disclosed in Note 26 “Administrative and other operating expenses”.

The Bank-lessee expenditures for improvement of the object of operating leasing (rent) (modernization, modification, further construction, retrofitting, renovation etc.) that lead to an increase in future economic benefits initially expected from its use, are shown by the lessee as a capital investment to improvement of the leased assets.

In the reporting year of 2013, the Bank granted to operating leasing a part of its own premises. As of December 31, 2013, the assets granted by the Bank to operating leasing (rent) constitute UAH 1 898 ths.

The method of estimation of fixed assets transferred to operating leasing adheres to the method for assessing of own fixed assets.

Leasing (rental) payments on fixed assets that are transferred to the operating leasing (rent), are accrued monthly over the lease term in accordance with the signed contracts. Information on income from operating leasing is disclosed in Note 25 "Other operating income".

Note 4.19. Financial leasing (rent), with the Bank acting as lessor and/or lessee

The Bank uses the following criteria in order to define the transaction as a financial leasing:

- at the end of leasing (rent) period, the proprietary and other material rights for the asset are transferred to the lessee;
- the lessee has a right to purchase this asset for a price significantly lower than the fair value as for the date of the exercise of this right, and at the beginning of the leasing (rent) period there is a grounded assurance that this right will be exercised;
- the period of leasing (rent) composes the bigger part of the period of beneficial usage of the assets, even so the proprietary is not transferred;
- at the beginning of the leasing (rent) period, the current value of the minimal leasing (rent) payments is almost equal to the fair value of the leased (rented) asset;
- leased (rented) assets have specific characteristics, i.e. only the lessee can use them without significant modifications.

During the reporting period of 2013, the Bank has not granted or received the fixed assets as the financial leasing.

Note 4.20. Non-negotiable assets held to sale and disposal groups.

The Bank classifies the non-negotiable assets as those held for sale, if the book value of such assets will be compensated by the sale transactions, and not by the current use.

The non-negotiable assets are classified by the Bank as those held to sale, if on the date of decision making on recognition them as assets held for sale if such conditions are fulfilled: the condition of the assets allows to perform an immediate sale, and there is a high level of probability of their sale during one year starting from their classification.

As for the reported date the Bank does not have and assets held for sale and disposal groups.

Note 4.21. Discontinued activities

No discontinuation of any banking transactions activities has been performed during in the reporting year.

Note 4.22. Derivative financial instruments

A derivative financial instrument (derivative) is a financial instrument, which has all three following characteristics:

- Its value changes as a respond to change of set interest rate, financial instrument price, consumer goods price, foreign exchange, indices of prices and rates, rate of the credit rating and solvency index or any other similar variable value;
- It does not require the initial net investments, or requires the initial net investments less than those required for other types of contracts having similar response to the change of market conditions;
- It is paid on the future date.

The derivative financial instruments that include the currency swaps are accounted at fair value. All derivative financial instruments are shown as assets, if their fair value has positive value since the liabilities, if their fair value is negative.

The derivative financial instrument fair value change is recognized in the income or losses.

The derivative financial instruments can be input to another contract (“prime contract”). The input derivative instrument is accounted as a derivative instrument only in case, if the economic characteristics and risks of the prime contract and the input derivative instrument are not closely related, if the separate instrument in the same conditions as the input derivative instrument, corresponds to the definition of the derivative instrument, and if the combined instrument is not measures at the fair value, with the representation of the fair value change through income and expenses. The derivative instruments input to the financial assets or liabilities at fair value with representation of the revaluation as profit or loss, are not separated.

Loan granting transactions (deposit placement) and the loan receipts (involvement of deposits) denominated in different currencies for the equivalent amount with the same counter-agent bank and the same payment period is an exchange swap, which is a contractual agreement between two parties to perform the exchange of the foreign exchange rates and interest rates on the market, and such transactions are to be curtailed.

Note 4.23. Attracted funds

Attracted funds, which include funds of the National Bank of Ukraine, credit entities and clients, debt securities issued and subordinated debt during the initial recognition at fair value, including transaction costs and other fees associated with the initiation of these investments (deposits). After the initial recognition, attracted funds are measured at amortized cost using the effective interest rate. Revenues and expenses are recognized in the accounts of the 6th and 7th grade at the time of liability termination, as well as through the depreciation process.

The Bank recognizes a profit or loss in the amount of the difference between the fair value of the financial liability and the cost of the contract in correspondence with premium (discount) accounts, if the effective interest rate on this instrument is higher or lower than the market one. The fair value of financial liabilities at initial recognition is the transaction cost.

Bank presents the accounting exchange transaction deposits with substantially different conditions as the repayment of initial financial liability and recognition of a new one. The Bank recognizes significantly different such conditions, under which the current net value of cash flows under the new conditions is discounted at the initial effective interest rate (for financial liabilities with variable interest rates the effective interest rate is used, which was calculated at the time of the last change in nominal interest rate), and it differs by at least 10% of the current discounted value of cash flows remaining to maturity of the initial financial liability.

Bank derecognized the financial liability or its part, if such liability is paid, annulated or the term of its exercise is expired

During the reporting period of 2013, the Bank has not issued or placed securities emitted by the Bank.

Note 4.24. Provisions for liabilities

Bank forms the provision by financial liabilities, which are accounted in off-balance sheets of the following groups:

- Warranties, guarantees, letters of credit and acceptances granted to banks;
- Guarantees granted to clients;
- Loan obligations granted to banks;
- Loan obligations granted to clients.

The Bank does not form the provision for liabilities from loans granted to clients (excluding banks), which are revocable and risk-free, i.e. the contact on which defined the Bank vested right without prior notice to the debtor unilaterally to refuse subsequent fulfillment of all its obligations, including the cases of deterioration of the financial condition of the debtor and/or delay in the performance of contractual obligations to the Bank and bill sureties provided by the Bank.

Provisions for financial liabilities are provisions to ensure their implementation in the future that is recognized in the balance sheet as a liability and indicates possible losses due to an outflow of resources associated with the implementation by the Bank of such financial liabilities.

Note 4.25. Subordinated loan

Subordinated debt is a common unsecured by bank debt capital instruments (equity components), which, according to the contract, cannot be taken from the Bank in a period less than five years, and in the case of bankruptcy or liquidation are returned to the investor after repayment of claims of all other creditors. Amount of subordinated debt included in equity is annually declining by 20% of its initial size during the last five years of the contract.

The involvement of assets on terms of subordinated loan has not been conducted by the Bank during the reporting period of 2013.

Note 4.26. Income tax

In the reporting year tax accounting has been performed according with the Tax Code of Ukraine.

The income tax rate from January 1, 2013, as compared to 2012, decreased from 21 % to 19 %. The income tax rate in 2014 is 18 %.

When calculating deferred taxes, The Bank applies the method on temporary differences, which is a comparison of the assets and liabilities according to the balance of financial and tax accounting data.

In the financial statement, the income tax expenses are represented through current tax and changes in deferred tax amount.

Income tax expenses are represented through profit or loss, except for the amounts that relate directly to equity.

Deferred tax amounts are calculated using the balance liabilities of temporary differences arising between the tax bases of assets and liabilities and their balance amounts for financial statement purposes. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available, against which the deferred tax assets will be realized.

Deferred tax assets and liabilities are calculated according to the tax rates currently in force during the period when the asset is realized, or the liability is paid on the basis of the legislative regulations currently in force at the reported date.

Note 4.27. Statutory capital and share premium

The statutory capital is cash contributions paid by members of the bank of share price, shares of the bank at an amount determined by the Statute.

Share premium (emission differences) is the excess of the amount of cash funds received from the initial issue or own shares sale over their par or exceeding the nominal value of their purchase.

Contributions to share capital are presented at their fair value at the date of the transaction.
As of 31.12.2013, registered and fully paid share capital comprised 250,000 ordinary registered shares with a nominal value of UAH 1000 each. All ordinary shares give equal voting rights on the principle of "one share is one vote".

The Bank has not increased the share capital during the reporting year of 2013.

By means of yearly contributions in amount of 5 % of net profit, the provision funds are created on the account 5021 – "Provisions".

Following the results of financial and economic activities of the Bank, the allocated profit contributed to the Bank development fund, is represented in the analytic balance sheet "Bank development fund", opened at the balance account 5022 "Other Funds".

Note 4.28. Treasury stock

The purchase of the Bank treasury stock is recognized as a reduction of capital. If the Bank repurchase the financial equity instruments, the purchase cost of such equity instruments, including any directly related external expanse minus income tax, is calculated from the equity amount owned by the Bank owners until their repeated emission, consignment or cancellation. In case of the further consignment or repeated emission, any sum received is returned as a part of the equity.

Income and losses from sale of own shares are accounted in retained income.

The Bank has not performed treasury stock transactions from during the reporting year of 2013.

Note 4.29. Recognition of income and expenses

The income and expenses of the Bank are recognized in the following cases:

- recognition of real debt for assets and liabilities;
- financial results of transaction related to the provision (reception) of services can be accurately determined.

The income and expenses arising from transactions are determined by agreement between the parties or other documents executed in accordance with the current legislation of Ukraine.

The income and expenses are recognized on each activity (operating, investing or financial activity) of the Bank. Criteria for recognition of income and expenses are applied separately to each transaction of the Bank. Each type of profit and expense is recognized in accounting separately.

As a result of transaction activities of the Bank, such income and expenses arise:

- Interest income and expenses;
- Commission income and expenses;
- Income (losses) on trading;
- Dividend income;
- Expenses for special provisions forming of the Bank;
- Income from the repayment of assets previously written off;
- Other operating income and expenses;
- General administrative expenses;
- Income tax.

Interest income and expense are operating income and expenses received (paid) by the Bank for the use of monetary funds, their equivalents or amounts owed to the Bank (involved by the Bank), calculated in proportion to the amount of time using the effective interest rate. They are:

- Income (losses) from operations with funds placed in other banks (involved from other banks);
- Income (losses) on loans and deposits granted (received) to legal entities and individuals, and on other financial instruments, including securities;
- Income on amortization of discount (premium).

For all financial instruments measured at amortized cost and interest financial instruments classified as trading or available-for-sale, interest income or expense are represented at the effective interest rate, which is the rate that exactly discounts expected future cash payments through the expected service age of the financial instrument or a shorter period where it is appropriate, to the net book value of the financial asset or financial liability. The calculation takes into account all contractual conditions of the financial instrument (for example, prepayment right) and includes all rewards or additional expenses that are directly connected with the financial instrument, and are an integral part of the effective interest rate, but not future credit losses. The book value of the financial asset or financial liability is adjusted if the Bank revises its estimates of future cash flows. The adjusted book value is calculated on the basis of the initial effective interest rate, and the changes in book value are represented as interest income or expenses.

At the recorded in the financial statement value of the cash or group of similar cash due to impairment, interest income continues to be recognized using the initial effective interest rate applied to the new book value.

Commissioned income and expenses (hereinafter commissions) are operating income and expenses for granted (received) services, the amounts of which are calculated as proportional to the amounts of the asset or liability, or are fixed.

Received (paid) by Bank commissions, depending on the purpose of their measurement and basis of accounting of their associated financial instrument, can be divided into the following categories:

- Commissions, which are an integral part of the income (expenses) of the financial instrument;
- Commissions received (paid) during the provision of services, are recognized as income (expense);
- Commissions received (paid) after performing certain actions are recognized as income (loss) after certain actions.

Income (losses) on trading are the result (profit or loss) from operations of purchase and sale of various financial instruments.

Dividend income is an income arising from the Bank use of securities with variable income.

The costs of forming specific provisions of the Bank are costs for covering the possible losses from impairment and write-offs of bad bank assets.

Income from return of previously written-off assets are funds received to pay off debt, which was recognized by the Bank as bad on receipt.

Other operating income and expenses are income and expenses from operations that are not related to investing and financing activities.

General administrative expenses are operating expenses associated with the provision of the Bank activities.

Income tax is the Bank operating expenses associated with the payment of taxes in accordance with law currently in force and subject to the requirements of international accounting standards for the recognition of deferred tax liabilities and tax assets.

Income and expenses of the Bank recorded in the accounting records and financial statements using the basic principles of accounting, including accrual and correspondence.

All income and expenses that relate to the reporting period are reflected in the accounting records of this period, regardless of when they were received.

The Bank recognizes interest income and expenses on account of interest income and expense using the effective interest method.

The amortization of the discount (premium) of the financial instruments is performed simultaneously with the interest charge.

Income (expenses) from disposable services (e.g., fees for currency exchange, granting or receiving consultations, etc.) are recognized without a display on accrued income (expenses), if the funds have been received (paid) in the reporting period, during which the services actually been granted (received).

Note 4.30. Foreign currency revaluation

Cash assets and liabilities denominated in foreign currencies and precious metals are initially recorded at the official rate of hryvnia to foreign currency / precious metals (on the accounting date , which is the date of recognition of assets and liabilities), and are further revalued after each rate change.

(UAH thousands)

Cash assets and liabilities denominated in foreign currencies are recalculated into the functional currency at the official rate of foreign exchange currently in force at the balance date. In the Statement, income and expenses resulting from recalculation of foreign currency transactions are shown through profit or loss and other comprehensive income as a result of transactions in foreign currencies, and that are recalculation differences.

Non-cash items measured at historical (initial) value in a foreign currency are recalculated at the official exchange rate of hryvnia to foreign currencies currently in force on the dates of the initial transactions. Non-cash items accounted at fair value are recalculated at the official exchange rate of hryvnia at the date when the fair value has been defined.

In the Statement on income and expenses and other comprehensive income, assets and liabilities in Statement on financial conditions are represented according to the official exchange rate of hryvnia to foreign currencies set National Bank of Ukraine on December 31, 2013.

The main official exchange rates of foreign exchange defined by the NBU for recalculation into hryvnia of balances in foreign currencies were as follows:

Currency code		Currency name and amount		December 31, 2013	December 31, 2012
826	GBP	100	British pounds of sterling	1 319,7311	1 289,8185
840	USD	100	US dollars	799,3000	799,3000
985	PLN	100	Polish złoty	265,9648	258,2071
643	RUB	10	Russian rubles	2,4497	2,6316
756	CHF	100	Swiss francs	902,5282	872,2824
978	EUR	100	Euros	1 104,1530	1 053,7172

In order to reduce the currency risks the Bank adheres to the open currency position standards.

Note 4.31. Offsetting of assets and liabilities

Balance assets and financial liabilities are offset, and the balance reflects balance rest remaining, only when the Bank has a legally enforceable right to set off the balance recognized amounts and intends either to offset or to realize the asset or exercise the liability simultaneously. In accounting, for a transfer of a financial asset that does not qualify for derecognition, the Bank does not offset the transferred asset and its associated liability.

Note 4.32. Business segment information

Segment is a separated component of the Bank that provides a single product or services (business segment), or supplies products or services within a particular economic environment (geographical segment), which is exposed to the risks and receives income, other than the risks and income in other segments. Segments, where the majority of revenues is obtained due to service provision to external customers, and revenues, financial result or assets are 10% or more of overall indices of all segments, are reported separately. The Bank does not perform its activities outside Ukraine, and thus reporting on geographical segments in this financial statement is not disclosed.

As primary reporting format, the Bank uses business segment because of the risks and profitability of the Bank are affected predominantly by differences in the products and services that it provides.

For management purposes, the Bank has three main business segments:

1) Banking service of retail business: service of investments (deposits) of individual clients, granting of loans, overdrafts, service of cards and money transfer services;
2) Banking service of corporate business: granting of loans, credit lines and overdrafts, documentary services, factoring services, deposit and current accounts service of legal entities-clients;
3) Interbank business.

Pricing for the business segments is based on the basis of the Bank analysis of the cost of each segment services and the market prices of the services, tariffs, banking services, approved by the Tariff Committee of the Bank.

The distribution of reporting indicators by segments is performed according to management accounting data. Operating segment income is profit directly related to the segment, regardless of whether it is received from the sale to external buyers or from transactions with other segments. Segment expenses are costs resulting from operating activities directly related to the segment.

In the reporting year, the changes in accounting policy on determining income and expenses of operating segments have been not performed.

Information on operating segments is disclosed in Note 30 "Operating Segments".

Note 4.33. The effect of changes in accounting policies, accounting estimates and corrections of substantial errors

Basic principles of recognition and estimation methods of assets, liabilities, income and expenses remained unchanged, and therefore, changes in accounting policies during the reporting year of 2013 have not been performed.

Errors of previous years and related reporting adjustments were not performed in 2013.

Note 4.34. Basic accounting estimates and judgements used in financial statement preparation

Principles of preparation of financial statements require from management of the Bank to use estimates and assumptions that can affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities on the date of the financial statement, and included amounts of profit for the reporting period. These estimates and assumptions are based on information available on the date of issuance of the financial statement. Although, these estimates are based on the best understanding direction of current events and transactions by the Management, actual results may differ significantly from these estimates and assumptions.

The main reasons of ambiguity of estimates are following:

Impairment of loans and receivables

Management of impairment by the means of loan repayment probability assessing based on the analysis of individual borrowers on individual significant loans, and collectively for loans with similar conditions and risk characteristics.

Factors taken into consideration when assessing individual loans include payment history, current financial conditions of the borrower, on time payments and pledge if any. To determine the amount of impairment, the Management estimates the amount and terms of future payments of principal amount and interests, and in payments from the sale of pledge, if any. After that, these cash flows are discounted using the initial interest rate on position. Actual payments of principal repayments and interests depend on the borrower's ability to generate cash flows from transactions or obtain alternative financing, and may differ from the Management estimates.

Factors taken into account when assessing the impairment of loans assessed collectively comprise accumulated experience in evaluation losses on loans, delinquency rates in the credit portfolio and general economic conditions. Note 9 provides information on the book value of loans and prepayments, and amounts recognized provisions for impairment. If the actual repayments were lower than Management estimated, the Bank would have been obliged to record additional expenses due to impairment.

Fair value of financial instruments

If the fair value of cash and liabilities recorded in the statement on financial conditions cannot be derived on the basis of active market prices, it is derived using different measurement methodologies that include the use of mathematical models. The input data for such models is obtained from observed markets if possible, but in case the observation is not possible, the certain assumptions are used in order to derive the fair value.

Note 5. Transition to new and amended standards

New and amended mandatory standards and interpretations to be used by the Bank

In general, the accounting policies are consistent with those used in the previous financial year. Some new standards and interpretation have become required for usage since January 1, 2013. The new and amended standards and interpretations that are mandatory to be used by the Bank are following:

Amendment to IAS 1 *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income* changes the grouping of items that are provided as part of other comprehensive income. Items that may be reclassified to profit or loss at some point in the future (for example, in the case of derecognition or settlement) should be reported separately from the items that would never be reclassified. The amendment affects only the presentation of financial statements and does not affect the financial position or performance of the Bank.

Amendments to IAS 19 *Employee Benefits*. According to the amendments the order was changed of the way of actuarial gains and losses recognition and past service cost and curtailment of pension plans, as well as the definition "severance pay." Actuarial gains and losses cannot be transferred to future periods using the corridor method or recognized in profit or loss. The cost of past services will be recognized in the period in which the conditions of retirement plan benefits will change; payments to which the employee is not eligible, will no longer be allocated to the entire period of services in the future. There will be additional disclosure requirements, as well as risks arising from defined benefit plans and plans implemented by several employers. The amendment will not affect the Bank's financial condition and results of operations.

IAS 27 *Separate Financial Statements* as amended in 2011 includes requirements for the preparation of separate financial statements for the companies that prepare consolidated financial statements. Requirements for the preparation of consolidated financial statements have been replaced to the new standard IFRS 10. The standard is effective for annual reporting periods beginning on or after 1 January 2013. The standard will not affect the Bank's financial condition and results of operations.

IAS 28 *Investments in Associates and Joint Ventures* as amended in 2011 combines the requirements of standards IAS 28 and the previous version of IAS 31 "Interests in Joint Ventures", which was decided to remain in force and not to include in the new standards IFRS 11 and IFRS 12. The amendment will not affect the Bank's financial condition and results of operations.

Amendments to IFRS 1 *Government Loans*. According to the Amendments, entities that adopt IFRSs for the first time should apply the requirements of IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance* prospectively to existing at the date of transition to IFRSs government loans. The amendment will have no impact on the Bank's financial statements.

Amendments to IFRS 7 *Disclosures - Offsetting Financial Assets and Financial Liabilities.* Companies are required to disclose the rights to offset and related arrangements (such as the agreements for provisions). New disclosure requirements apply to all recognized financial instruments offset in accordance with IAS 32, *Financial Instruments: Presentation.* The amendments will not affect the Bank's financial position or performance.

IFRS 10 *Consolidated Financial Statements* introduces a single consolidation model, whereby the definition of control is defined as the basis for consolidation for all types of companies. This standard establishes requirements for cases where the definition of control is difficult, including for cases of potential voting rights and legal relations of the principal and agent, the control of specific assets and circumstances in which voting rights are not the dominant factor in determining control. In addition, IFRS 10 introduces a special guide on the principal and agent relationship matters. The standard also contains requirements for the accounting and consolidation procedures that are carried forward from IAS 27 and remain unchanged. IFRS 10 replaces the consolidation requirements contained in SIC 12, *Consolidation - Special Purpose Entities* and IAS 27, *Consolidated and Separate Financial Statements*. IFRS 10 will have no impact on the financial position and results of operations of the Bank.

IFRS 11 *Joint Arrangements* improves the accounting of joint arrangements by introducing a method that requires the parties to the joint arrangement recognizing their rights and obligations resulting from the arrangement. Classification is determined by assessing the rights and obligations of the parties arising out of this arrangement. The standard offers only two types of joint arrangements - joint operations and joint activities. IFRS 11 also eliminates the proportionate consolidation as the accounting method of joint arrangements. IFRS 11 supersedes IAS 31, Interests in Joint Ventures and SIC 13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers*. IFRS 11 will have no impact on the financial position and results of operations of the Bank.

IFRS 12 *Disclosure of Interests in Other Entities* is a new comprehensive standard that includes requirements for disclosure of information on all types of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured companies. IFRS 12 does not have any effect on the financial condition and results of operations of the Bank.

IFRS 13 *Fair Value Measurement* establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 also requires additional disclosures. Application of IFRS 13 has not materially impacted the fair value measurements of the Bank. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

IFRIC 20 *Stripping Cost in the Production Phase of a Surface Mine* is used for the costs of removing slag rock (stripping) that arise at the production phase of a surface mine. The accounting method is disclosed herein of benefits from stripping. The interpretation will have no impact on the Bank’s financial statements.

“Annual IFRS Improvements” (May 2012)

The listed below improvements will have no effect on the Bank’s financial statements:

IFRS 1 *First-time Adoption of International Financial Reporting Standards.* This improvement clarifies that an entity which has ceased to apply IFRS in the past and decided or is obliged to prepare IFRS reporting, has the right to apply IFRS 1 again. If IFRS 1 is not applied repeatedly, the company must retrospectively recalculate its financial statements as if it had never stopped to apply IFRS.

IAS 1 *Presentation of Financial Statements.* This improvement clarifies the difference between additional comparative information provided on a voluntary basis and the minimum of required comparative information. Generally, the minimum required comparative information is the information for the previous reporting period.

IAS 16 *Property, Plant and Equipment.* This improvement clarifies that the main spare parts and auxiliary equipment meet the definition of fixed assets and are not inventories.

IAS 32 *Financial Instruments: Presentation.* This improvement clarifies that the income tax relating to payments for the benefit of shareholders is recorded in accordance with IFRS (IAS) 12, "Income Taxes."

IAS 34 *Interim Financial Reporting.* This improvement brings into compliance the requirements for disclosure in the interim financial reporting of the information about the total amount of segment assets to the disclosure requirements about segment liabilities. According to this explanation, disclosures in interim financial statements must also comply with the disclosures in the annual financial statements.

IFRS and IFRIC interpretations not yet effective

The Bank has not applied the following IFRSs and Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) that have been issued but are not yet effective:

Amendments to IAS 19 - *Defined Benefit Plans: Employee Contributions*. Amends to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered. The amendments are effective for annual reporting periods beginning on or after 1 July 2014. The amendment will not affect the Bank’s financial condition and results of operations.

Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities*, describe how to properly apply the criteria for offsetting in IAS 32 in respect of settlement systems (such as single clearing center), within which mechanisms were used of non-simultaneous gross payments. It is assumed that these amendments will have no impact on the financial position or performance of the Bank. The amendments are effective for annual reporting periods beginning on or after 1 January 2014.

Amendments to IAS 36 - *Recoverable Amount Disclosures for Non-Financial Assets*. Amends IAS 36 Impairment of Assets to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The amendments are effective for annual reporting periods beginning on or after 1 January 2014. The amendment will not affect the Bank's financial condition and results of operations.

Amendments to IAS 39 - *Novation of Derivatives and Continuation of Hedge Accounting*. These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. These amendments will have no impact on the financial position or performance of the Bank.

IFRS 9 *Financial Instruments* was issued in November 2009, with the subsequent amendments. The standard replaces IAS 39, *Financial Instruments: Recognition and Measurement* in the classification and measurement of financial instruments and hedge accounting. It becomes effective for annual reporting periods beginning on or after 1 January 2015, subsequent amendment withdraw the previous effective date of 1 January 2015 and leave it open other outstanding phases of IFRS 9 have been finalized.

Amendments to IFRS 10, IFRS 12 and IAS 27 - *Investment Entities.* These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Bank.

IFRS 14 *Regulatory Deferral Accounts*. In many countries industry sectors, including utilities such as gas, electricity and water, are subject to rate regulation where governments regulate the supply and pricing. This regulation can have a significant effect on the amount and timing of an entity's revenue. IFRS 14 permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. Entities which are eligible to apply IFRS 14 are not required to do so, and so can chose to apply only the requirements of IFRS 1 *First-time Adoption of International Financial Reporting Standards* when first applying IFRSs. However, an entity that elects to apply IFRS 14 in its first IFRS financial statements must continue to apply it in subsequent financial statements. IFRS 14 cannot be applied by entities that have already adopted IFRSs. The standard is effective for annual reporting periods beginning on or after 1 January 2016. The standard will not affect the Bank's financial condition and results of operations.

IFRIC Interpretation 21 *Levies*. IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Bank does not expect that IFRIC 21 will have material financial impact in future financial statements.

Annual Improvements (2010 – 2012 Cycle).

IFRS 2 *Share-based Payment.* The amendment clarifies vesting conditions by separately defining a performance condition and a service condition, both of which were previously incorporated within the definition of a vesting condition.

IFRS 3 Business Combinations. The amendment clarifies that contingent consideration is assessed as either being a liability or an equity instrument on the basis of IAS 32 Financial Instruments: Presentation, and also requires contingent consideration that is not classified as equity to be remeasured to fair value at each reporting date, with changes in fair value being reported in profit or loss.

IFRS 8 *Operating Segments.* The amendments require additional disclosures regarding managements judgements when operating segments have been aggregated in determining reportable segments. The amendment clarifies that a reconciliation of the total of reportable segments assets to the entity's assets is only required if a measure of segment assets is regularly provided to the chief operating decision maker.

IFRS 13 Fair Value Measurement. The amendment clarifies that short-term receivables and payables with no stated interest rate can still be measured at the invoice amount without discounting, if the effect of discounting is immaterial.

IAS 16 *Property, Plant & Equipment* . The amendment clarifies the computation of accumulated depreciation when items of property, plant and equipment are subsequently measured using the revaluation model. The net carrying amount of the asset is adjusted to the revalued amount, and either:
(i) The gross carrying amount is adjusted in a manner consistent with the net carrying amount (e.g. proportionately to the change in the [net] carrying value, or with reference to observable market data). Accumulated depreciation is then adjusted to equal the difference between the gross and net carrying amounts
(ii) Accumulated depreciation is eliminated against the gross carrying amount.

IAS 24 *Related Party Disclosures.* The amendment clarifies that an entity that provides key management personnel services ('management entity') to a reporting entity (or to the parent of the reporting entity), is a related party of the reporting entity, and:

- Would require separate disclosure of amounts recognised as an expense for key management personnel services provided by a separate management entity
- Would not require disaggregated disclosures by the categories set out in IAS 24.17.

IAS 38 *Intangible Assets*. The amendment clarifies the computation of accumulated amortisation when intangible assets are subsequently measured using the revaluation model. The net carrying amount of the asset is adjusted to the revalued amount, and either:
(i) The gross carrying amount is adjusted in a manner consistent with the net carrying amount (e.g. proportionately to the change in the [net] carrying value, or with reference to observable market data). Accumulated amortisation is then adjusted to equal the difference between the gross and net carrying amounts
(ii) Accumulated amortisation is eliminated against the gross carrying amount.

These improvements become effective for the annual reporting periods, beginning on or after 1 July 2014. The improvements will have no effect on the Bank's financial statements

Annual Improvements (2011 – 2013 Cycle).

IFRS 3 Business Combinations. The amendments to IFRS 3 clarify that The formation of all types of joint arrangements as defined in IFRS 11 (i.e. joint ventures and joint operations) are excluded from the scope of IFRS 3 . The scope exception only applies to the accounting by the joint arrangement in its own financial statements and not to the accounting by the parties to the joint arrangement for their interests in the joint arrangement.

IFRS 13 Fair Value Measurement. IFRS 13.52 defines the scope of the exception that permits an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis. This is referred to as the portfolio exception.
The amendment clarifies that the portfolio exception applies to all contracts within the scope of IAS 39 Financial Instruments: Recognition and Measurement (or IFRS 9 Financial Instruments if this has been adopted early), regardless of whether they meet the definition of financial assets or financial liabilities in IAS 32 Financial Instruments: Presentation.

IAS 40 *Investment Property.* The amendment notes that determining whether the acquisition of an investment property is a business combination requires judgement of the specific requirements of IFRS 3, independently from the requirements of IAS 40, requires judgement in relation to:

Whether the acquisition of investment property is the acquisition of an asset, a group of assets, or a business combination (by applying the requirements of IFRS 3 only)

Distinguishing between investment property and owner-occupied property (by applying the requirements of IAS 40 only).

These improvements become effective for the annual reporting periods, beginning on or after 1 July 2014. The improvements will have no effect on the Bank's financial statements

Note 6. Cash and cash equivalents
Table 6.1. Cash and cash equivalents

(Thousands of UAH)

Line	Item	Reporting Period	Previous period
1	Cash assets	68 758	36 780
2	Cash in the National Bank of Ukraine (excluding obligatory provisions)	67 351	126 690
3	Correspondent accounts, overnight loans and deposits in banks:	176 794	152 662
3.1	of Ukraine	168 760	148 942
3.2	of other countries	8 034	3 720
4	**Cash and cash equivalents total**	**312 903**	**316 132**

The amounts of obligatory provisions of banks in the Bank, determined in accordance with the regulations of the National Bank of Ukraine, not intended to finance current operations of the Bank, constituted at the end of the day 31.12.2013 and 31.12.2012, respectively, UAH 34 990 ths and UAH 14 248 ths. These amounts are not included to "Cash and cash equivalents" as the Bank has restrictions on their use.

Cash equivalents that have been actually guaranteed by securities purchased under repurchase agreements, and securities may be sold or remortgaged in the Bank of Investment and Savings PJSC are absent.

Table 6.2. Analysis of the credit quality of the cash equivalents for the reporting period

(Thousands of UAH)

Line	Item	Correspondent account	Overnight loans	Total
1	2	3	4	5
1	In 20 biggest banks of Ukraine	-	-	-
2	In other banks of Ukraine	43 562	125 198	168 760
3	In big banks of OECD countries	7 064	-	7 064
4	In other banks of OECD countries	771	-	771
5	In other banks	200	-	200
6	**Cash equivalents total**	**51 597**	**125 198**	**176 794**

Table 6.3. Analysis of the credit quality of the cash equivalents for the previous period

(Thousands of UAH)

Line	Item	Correspondent account	Total
1	2	3	4
1	In 20 biggest banks of Ukraine	-	-
2	In other banks of Ukraine	109 321	39 621
3	In big banks of OECD countries	1 160	-
4	In other banks of OECD countries	1 657	-
5	In other banks	903	-
6	**Cash equivalents total**	**113 041**	**39 621**

Note 7. Trading securities

Table 7.1. Trading securities

(Thousands of UAH)

Line	Item	Reporting Period	Previous period
1	2	3	4
1	Debt securities:	-	15 540
1.1	Bonds of entities	-	15 540
2	**Trading securities total**	-	**15 540**

Table 7.2. Analysis of the credit quality of the trading debt securities for the previous period

(Thousands of UAH)

Line	Item	Bonds of entities	Total
1	2	3	4
1	Undue debt securities (at fair value)	15 540	15 540
1.1	Big enterprises	15 540	15 540
2	**Debt securities total**	**15 540**	**15 540**

The classification of the bank counter-agents into large, medium and small is performed according to the gross income from the sale of products (goods and services) received during the reporting period. The Bank defines an enterprise as "small" if its income is less than UAH 70 mln, as "large" if its income is minimum UAH 100 mln; all remaining are defined as "medium".
Table 7.3 "Analysis of the credit quality of the trading debt securities for the reporting period" is not provided as such securities were absent as of the respected date.

Trading securities have not been provided as collateral for repo transactions and other transactions; the rights on their sale and subsequent mortgage have not been transmitted.

Note 8. Due from other banks

Table 8.1. Due from other banks

(Thousands of UAH)

Line	Item	Reporting Period	Previous period
1	2	3	4
1	Deposits in other banks	99 500	-
1.1	Short-term	99 500	-
2	Loans granted to other banks	90 096	152 958
2.1	Short-term	90 096	152 958
3	Provisions on impairment in other banks	(3 947)	(2 165)
4	**Assets total excluding provisions**	**185 649**	**150 793**

Table 8.2. Analysis of the credit quality of due from other banks for the reporting period

(Thousands of UAH)

Line	Item	Deposits	Loans	Total
1	2	3	4	5
1	Undue and non-depreciated:	99 500	90 096	189 596
1.2	In other banks of Ukraine	99 500	90 096	189 596
2	Due from other banks before provision calculation	99 500	90 096	189 596
3	Provisions on assets impairment in other banks	(1 447)	(2 500)	(3 947)
4	**Due from other banks total excluding provisions**	**98 053**	**87 596**	**185 649**

Table 8.3. Analyses of the credit quality of due from other banks for the previous period.

(Thousands of UAH)

Line	Item	Loans	Total
1	2	3	4
1	Undue and non-depreciated:	152 958	152 958
1.2	In other banks of Ukraine	152 958	152 958
2	Due from other banks before provision calculation	152 958	152 958
3	Provision for assets impairment in other banks	(2 165)	(2 165)
4	**Due from other banks total, net of provisions**	**150 793**	**150 793**

Table 8.4. Analysis of change of provision for impairment in other banks

(Thousands of UAH)

Line	Reserve flows	Reporting Period	Previous period
		Due from other banks	Due from other banks
1	2	3	4
1	Provision on impairment as for the beginning of period	(2 165)	(79)
2	(Increase)/decrease of provision on impairment during the period	(1 782)	(2 086)
3	Impact of the recalculation to the reporting currency	-	-
4	**Provision on impairment as for the end of period**	**(3 947)**	**(2 165)**

Note 9. Loans to customers

Table 9.1. Loans to customers

(Thousands of UAH)

Line	Item	Reporting Period	Previous period
1	2	3	4
1	Loans granted to legal entities	1 752 691	1 627 474
2	Loans granted to individual entrepreneurs	14 109	7 075
3	Credits on mortgage of individuals	1 150	1 506
4	Loans granted to individuals for current needs	21 362	20 705
5	Other loans granted to individuals	1 568	396
6	Reserve on loan impairment	(53 926)	(53 071)
7	**Loans total excluding provisions**	**1 736 955**	**1 604 085**

The Bank has no received as pledge securities that are guarantees for loans and advances to clients on repo transactions.

Table 9.2. Analysis of provision change on impairment for loans for the reporting period

(Thousands of UAH)

Line	Reserve flows	Loans granted to legal entities	Loans granted to individual entrepreneurs	Credits on mortgage of individuals	Loans granted to individuals for current needs	Other loans granted to individuals	Total
1	2	3	4	5	6	7	8
1	Opening balance	(52 904)	(73)	-	(68)	(26)	(53 071)
2	(Increase)/decrease of provision on impairment during the period	(442)	(394)	(1)	(44)	26	(855)
3	Writing-off the bad loans under provision	-	-	-	-	-	-
4	**Closing balance**	**(53 346)**	**(467)**	**(1)**	**(112)**	**-**	**(53 926)**

During the reported 2013, there has been a partial redemption by counter-agents of written-off amount of the bad loans of UAH 43 thsd.

Table 9.3. Analysis of provision change on impairment for loans for the previous period

(Thousands of UAH)

Line	Provision flows	Loans granted to legal entities	Loans granted to individual entrepreneurs	Credits on mortgage of individuals	Loans granted to individuals for current needs	Other loans granted to individuals	Total
1	2	3	4	5	6	7	8
1	Opening balance	(68 810)	(89)	(100)	(163)	(88)	(69 250)
2	(Increase)/decrease of provision on impairment during the period	(1 532)	16	100	95	62	(1 259)
3	Writing-off the bad loans under provision	17 438	-	-	-	-	17 438
4	**Closing balance**	**(52 904)**	**(73)**		**(68)**	**(26)**	**(53 071)**

Table 9.4. Loan structure by economic activities

(Thousands of UAH)

Line	Economic activity	Reporting Period		Previous period	
		Amount	%	Amount	%
1	2	3	4	5	6
1	Production and distribution of the electricity, gas and water	-	-	67 100	4,05
2	Real estate operations, rent, engineering and services	251 791	14,06	420 590	25,38
3	Trade, auto repair, repair of household devices and personal hygiene items	848 957	47,40	798 066	48,16
4	Agriculture, hunting and forestry	1 307	0,07	5 512	0,33
5	Building	239 968	13,40	27 981	1,69
6	Individuals	24 081	1,34	22 607	1,36
7	Other	424 777	23,72	315 300	19,03
8	**Loans to customers total excluding provisions**	**1 790 881**	**100**	**1 657 156**	**100**

The table shows details of outstanding balances on loans divided by economic activities. The main sectors of the economy that Bank loans are trade, real estate, auto repair, household devices repair etc. In order to minimize the credit risks, the Bank sets lending ceiling by industry, which during the reporting year have not been violated.

Table 9.5. Information on loans by types of credit securities for the reporting period

(Thousands of UAH)

Line	Item	Loans granted to legal entities	Loans granted to individual entrepreneurs	Credits on mortgage of individuals	Loans granted to individuals for current needs	Other loans granted to individuals	Total
1	2	4	5	6	7	8	9
1	Unsecured loans	65 317	-	-	1 539	1 560	68 416
2	Secured loans:						
2.1	by cash assets	630 374	-	-	16 378	-	646 751
2.2	by real estate	571 071	6 632	1 150	2 739	-	581 591
2.2.1	dwellings included	30 295	-	756	2 026	-	33 077
2.4	by guarantees and warranties	1 806	-	-	458	-	2 264
2.5	by other assets	484 123	7 478	-	249	8	491 858
3	**Loans to customers total excluding provisions**	**1 752 691**	**14 109**	**1 150**	**21 362**	**1 568**	**1 790 881**

During the reporting year, the Bank did not purchase financial and non-cash through foreclosure on pledge, or the right exercise for other instruments that reduce the credit risk.

Table 9.6. Information on loans by types of credit securities for the previous period

(Thousands of UAH)

Line	Item	Loans granted to legal entities	Loans granted to individual entrepreneurs	Credits on mortgage of individuals	Loans granted to individuals for current needs	Other loans granted to individuals	Total
1	2	4	5	6	7	8	9
1	Unsecured loans	268 594	-	-	76	275	268 945
2	Secured loans:						
2.1	by cash assets	785 472	-	-	17 320	-	802 792
2.2	by real estate	228 137	3	1 506	1 942	-	231 588
2.2.1	dwellings included	16 871	-	1 506	1 942	-	20 319
2.4	by guarantees and warranties	14 215	-	-	923	-	15 138
2.5	by other assets	331 056	7 072	-	444	121	338 693
3	**Loans to customers total excluding provisions**	**1 627 474**	**7 075**	**1 506**	**20 705**	**396**	**1 657 156**

Table 9.7. Analysis of credit quality for the reporting period

(Thousands of UAH)

Line	Item	Loans granted to legal entities	Loans granted to individual entrepreneurs	Credits on mortgage of individuals	Loans granted to individuals for current needs	Other loans granted to individuals	Total
1	2	3	4	5	6	7	8
1	Undue and non-depreciated	1 610 801	14 046	-	331	-	1 625 178
1.1	Big borrowers, with credit years more than 2 years	49 123	-	-	-	-	49 123
1.2	New big borrowers	377 190	10 000	-	-	-	387 190
1.3	Loans to small enterprises	1 184 488	4 046	-	-	-	1 188 534
2	Overdue but non-depreciated	3 175	127	-	-	-	3 302
2.1	With delay of payment from 184 to 365 (366) days	3 175	-	-	-	-	3 175
3	Depreciated loans estimated on the individual basis	136 704	-	1 150	20 812	66	158 732
3.1	without delay of payment	136 704	-	1 150	20 796	66	158 716
3.2	with delay of payment more than 366 (367) days	-	-	-	16	-	-
4	Loan amount total before calculation of provisions	1 750 680	14 173	1 150	21 143	66	1 787 212
5	Reserve on loan impairment	(53 348)	(466)	(1)	(110)	-	(53 926)
6	**Loans total excluding provisions**	**1 699 343**	**13 643**	**1 148**	**21 252**	**1 568**	**1 736 955**

The classification of the bank counter-agents into large, medium and small is performed according to the gross income from the sale of products (goods and services) received during the reporting period. The Bank defines an enterprise as "small" if its income is less than UAH 70 mln; as "large" if its income is minimum UAH 100 mln; all remaining are defined as "medium". Liabilities to the Bank include accrued and unpaid income and considered amount of provisions formed for them. The assignment of the borrower to the bank to a certain category of quality is based on the principle of worst-case, i.e., in the case of overdue liabilities (loan or interest thereon) the amount of all obligations under the credit transaction is classified as the worst type of debt.

Table 9.8 Analysis of credit quality for the previous period

(Thousands of UAH)

Line	Item	Loans granted to legal entities	Loans granted to individual entrepreneurs	Credits on mortgage of individuals	Loans granted to individuals for current needs	Other loans granted to individuals	Total
1	2	3	4	5	6	7	8
1	Undue and non-depreciated	1 281 861	7 002	1 506	19 692	370	1 310 431
1.1	Big borrowers, with credit years more than 2 years	312 424	-	-	-	-	312 424
1.2	New big borrowers	256 677	-	-	-	-	256 677
1.4	Loans to small enterprises		-	-	-	-	
1.5	Other loans granted to individuals	712 760	7 002	-	-	-	719 762
3	Depreciated loans estimated on the individual basis	-	-	1 506	19 692	370	21 568
3.1	without delay of payment	6 185	-	-	-	-	6 185
3.2	With delay of payment no more than 31 days	6 185	-	-	-	-	6 185
3.3	With delay of payment from 93 to 183 days	339 428	73	-	1 013	26	340 540
3.4	with delay of payment more than 366 (367) days	339 428	-	-	997	-	340 425
4	Loan amount total before calculation of provisions	-	-	-	-	26	26
5	Reserve on loan impairment	-	73	-	16	-	89
6	**Loans total excluding provisions**	**1 627 474**	**7 075**	**1 506**	**20 705**	**396**	**1 657 156**

In the reporting year of 2013 there were no cases of debts under credits declared to be uncollectable, or writing them off under the provision formed for possible losses on credit transactions.

Note 10. Securities available for sale

(Thousands of UAH)

Table 10.1. Securities available for sale in the Bank portfolio Line	Item	Reporting Period	Previous period
1	2	3	4
1	Financial investments to companies	784	-
2	Provisions on financial investments impairment to companies	(604)	-
3	**Financial investments to companies total excluding provisions**	**180**	**-**

Note 11. Securities held-to-maturity

Table 11.1. Securities held-to-maturity in the Bank portfolio

(Thousands of UAH)

Line	Item	Reporting Period	Previous period
1	2	3	4
1	Government bonds	-	17 451
2	**Securities held-to-maturity in the Bank portfolio total excluding provisions**	**-**	**17 451**

Table 11.2. Quality analysis of securities held-to-maturity in the Bank portfolio for the previous period

(Thousands of UAH)

Line	Item	Government bonds	Total
1	2	3	4
1	Undue and non-depreciated debt securities	17 451	17 451
1.1	State institutions and entities	17 451	17 451
2	**Securities held-to-maturity in the Bank portfolio total excluding provisions**	**17 451**	**17 451**

The Bank has not transferred the securities held-to-maturity without derecognition as collateral under repo transactions.

Note 12. Property and equipment and intangible assets

Table 12.1. Property and equipment and intangible assets

The transactions of receipt, transfer, commitment, retirement of fixed assets and intangible assets are carried out at the book value.

(Thousands of UAH)

Line	Item	Plots of land	Houses, buildings and transmitting devices	Machinery and equipment	Means of transportation	Tools, devices, stock (furniture)	Other fixed assets	Other non-negotiable intangible assets	Uncompleted capital investments to the fixed assets and intangible assets	Intangible assets	Total
1	2	3	4	5	6	7	8	9	10	11	12
1	**Book value at the beginning of the previous period**	**13**	**14 267**	**4 375**	**455**	**1 255**	**570**	**1 238**	**309**	**430**	**22 912**
1.1	Initial (revaluated) value	13	16 205	9 193	1 436	2 844	1 471	5 394	309	1 463	38 328
1.2	Amortization and depreciation at the beginning of the previous period	-	(1 938)	(4 818)	(981)	(1 589)	(901)	(4 156)	-	(1 033)	(15 416)
3	Receipts	-		1 263	-	281	25	385	3 389	298	5 641

(UAH thousands)

4	Capital investments for the completion of fixed assets and improvement of intangible assets	-		489	635	260	127	65	(2 449)	873	-
6	Retirement	-		(12)	-	(4)	(1)	-	-		(17)
7	Amortized values	-	(538)	(1 667)	(52)	(565)	(259)	2 098	-	(278)	(1 261)
8	Other changes			(85)	(217)	(18)	(23)	(3 502)	(99)	(12)	(3 956)
9	**Book value at the end of the previous period (beginning of the reporting period)**	**13**	**13 729**	**4 363**	**821**	**1 209**	**439**	**284**	**1 150**	**1 311**	**23 319**
9.1	Initial (revaluated) value	13	16 205	10 848	1 854	3 363	1 599	2 342	1 150	2 622	39 996
9.2	Amortization and depreciation at the end of the previous period (beginning of the reporting period)	-	(2 476)	(6 485)	(1 033)	(2 154)	(1 160)	(2 058)	-	(1 311)	(16 677)
10	Receipts	-	-	630	-	232	5	137	895	92	1 991
11	Capital investments for the completion of fixed assets and improvement of intangible assets	-	-	16	89	185	398	26	(2 033)	1 319	-
12	Retirement	-	-	-	(1)	-	(19)		-	-	(20)
13	Amortized values	-	(691)	(1 411)	320	(542)	(149)	872	-	(330)	(1 931)
14	Other changes	-	-	(113)	(523)	(3)	(38)	(1 319)	-	(3)	(1 999)
15	**Book value at the end of the reporting period**	**13**	**13 038**	**3 485**	**706**	**1 081**	**636**	**-**	**12**	**2 389**	**21 360**
15.1	**Initial (revaluated) value**	**13**	**16 205**	**11 381**	**1 419**	**3 777**	**1 945**	**1 186**	**12**	**4 030**	**39 968**
15.2	**Amortization and depreciation at the end of the reporting period**	**-**	**(3 167)**	**(7 896)**	**(713)**	**(2 696)**	**(1 309)**	**(1 186)**		**(1 641)**	**(18 608)**

As of December 31, 2013,
- Bank had no property and equipment and intangible assets with legal restrictions on their possession, use and disposal;
- The Bank had no property and equipment issued as pledge;
- The Bank had property and equipment that were temporarily not used (conservation, reconstruction, etc.);
- The Bank had no property and equipment retired from usage in order to be sold;
- The initial value of fully depreciated fixed non-negotiable assets was UAH 8 670 ths.
- The Bank had no value of intangible assets for which there are proprietary limitations;
- The Bank had no created intangible assets;

- The Bank did not increase or decrease during the reporting period, arising from revaluations, and as a result of impairment losses recognized or created directly in equity capital.

Note 13. Other financial assets

Table 13.1. Other financial assets

(Thousands of UAH)

Line	Item	Notes	Reporting Period	Previous period
1	2	3	4	5
1	Receivables on foreign exchange transactions		-	1 060
2	Derivative financial assets in the Bank trade portfolio		2 247	-
3	Cash with limited rights of use		4 202	2 318
4	Other financial assets		41	126
5	Provisions on the impairment of other financial assets		-	-
6	**Other financial assets total excluding provisions**		**6 490**	**3 504**

In the article "Cash assets with limited right of use" the remain of the "Equity Bank accounts" balance account is shown, where the security deposit is accounted in the bank "Pivdennyi" JSC to ensure the fulfillment of the contract to support MPS VISA membership.

Table 13.2. Analysis of the provision change on other cash impairment for the reporting period

(Thousands of UAH)

Line	Reserve flows	Cash assets with limited rights of use	Total
1	2	3	4
1	Opening balance	(431)	(431)
2	(Increase)/decrease of provision on impairment during the period	431	431
3	**Closing balance**	-	-

Table 13.3. Analysis of the provision change on other cash impairment for the previous period

(Thousands of UAH)

Line	Item	Receivables on foreign exchange transactions	Cash assets with limited rights of use	Other financial assets	Total
1	2	3	4	5	6
1	Undue and non-depreciated receivables:	1 448	4 202	40	5 690
1.1	Big borrowers, with credit years more than 2 years	1 448	4 202	-	5 650
1.2	Small enterprises	-	-	40	40
2	Other financial activities total before calculation of the provision	1 448	4 202	40	5 690
3	**Other cash total excluding provisions**	**1 448**	**4 202**	**40**	**5 690**

Table 13.4 Analysis of credit quality of other cash for the previous period

(Thousands of UAH)

Line	Item	Receivables on foreign exchange transactions	Cash assets with limited rights of use	Other financial assets	Total
1	2	3	4	5	6
1	Undue and non-depreciated receivable	1 060	2 318	126	3 504
1.1	Big borrowers, with credit years more than 2 years	1 060	2 318	-	3 378
1.2	Small enterprises	-	-	126	126
2	Other financial activities total before calculation of the provision	1 060	2 318	126	3 504
3	**Other cash total excluding provisions**	**1 060**	**2 318**	**126**	**3 504**

Table 13.5. Information on total amount of minimum rent payments for financial leasing (rent) services and their current cost

(Thousands of UAH)

Line	Item	Less than one year	1–5 years	Total
1	2	3	4	5
1	Information on total amount of minimum rent payments for financial leasing (rent) services as of the end of reporting period	88	20	108
2	Future financial income	73	17	90
3	Current cost of minimum leasing payments as of the end of the reporting period	20	135	155

As of 31.12.2013, the Bank has concluded three contracts on financial leasing (rent), under which the Bank is the lessor, including:

- A contract valid for up to a year, the contract number 1 on 01.07.2012, the Lessee is Center for Information Technology NGO;
- Two contracts valid from 1 to 5 years: a contract dated 1.01.2013, the Lessee is Lea-N LLC, and the contract dated 03.11.2013, he Lessee is I. V. Kovtunenko, a private entrepreneur.

Note 14. Other assets

Table 14.1. Other assets

(Thousands of UAH)

Line	Item	Notes	Reporting Period	Previous period
1	2	3	4	5
1	Receivables on purchase of assets		34	34
2	Service prepayment		4	-
3	Precious metals		1 643	1 392
4	Other assets		2 242	611
5	**Other assets total excluding provisions**		**3 923**	**2 037**

Note 15. Due to banks

(Thousands of UAH)

Line	Item	Reporting Period	Previous period
1	2	3	4
1	Correspondent accounts and overnight deposits of other banks	30 253	59 168
2	Deposits of other banks	99 547	47 958
2.1	Short-term	99 547	47 958
3	Received loans	130 317	147 916
3.1	Short-term	130 317	147 916
4	**Total due to other banks**	**260 117**	**255 042**

During the reported and previous periods, all liabilities on principal amounts of due to other banks and related interests have been paid on time according to their repayment schedule.

Note 16. Due to clients
Table 16.1. Due to clients

(Thousands of UAH)

Line	Item	Reporting Period	Previous period
1	2	3	4
1	Governmental and public organizations	583	526
1.1	Current accounts	583	526
2	Other legal entities	823 444	636 620
2.1	Current accounts	82 648	126 463
2.2	Term deposits	740 796	510 157
3	Individuals	900 325	962 312
3.1	Current accounts	55 414	22 740
3.2	Term deposits	844 911	939 572
4	**Due to clients total**	**1 724 352**	**1 599 458**

Table 16.2. Distribution of due to clients by the types of economic activities

(Thousands of UAH)

Line	Economic activity	Reporting Period		Previous period	
		Amount	%	Amount	%
1	2	3	4	5	6
1	Government	-		-	
2	Production and distribution of the electricity, gas and water	3 274	0,19%	5 204	0,33%
3	Real estate operations, rent, engineering and services	19 781	1,15%	5 431	0,34%
4	Trade, auto repair, repair of household devices and personal hygiene items	306 792	17,79%	142 734	8,92%
5	Agriculture, hunting and forestry	7 689	0,45%	25 596	1,60%
6	Individuals	900 325	52,21%	962 312	60,16%
7	Other	486 491	28,21%	458 181	28,65%
8	**Due to clients total**	**1 724 352**	**100 %**	**1 599 458**	**100 %**

The book value of assets of clients, as collateral for credit operations and irrevocable liabilities, amounts to UAH 618 768 ths. These are only term deposit of clients. UAH 588 001 ths of the mentioned amount are pledged for loans of legal entities, and UAH 30 767 ths are pledged for loans of individuals.

Note 17. Other borrowed funds

Table 17.1. Other borrowed funds

(Thousands of UAH)

Line	Item	Reporting Period	Previous period
1	2	3	4
1	Loans received from international and other financial organizations	16 523	640
2	**Total**	**16 523**	**640**

In the note, it is referred to the cash received from the non-resident financial company in amount of USD 2 mln for 192 days at 9.5 %, and loans from the State Mortgage Institution under long-term refinancing of mortgage loans of up to 2016 at 13.5% (as of December 31, 2013, the remain is UAH 504 ths.). During the reporting period, all the repayments of all payments of principal and interests have been performed on time according to the payment schedule. The pledge for the attracted funds is a credit of mortgage of mortgage market price UAH 1 638 thsd owned by individual borrowers.

Note 18. Provisions for liabilities

Table 18.1. Provisions for liabilities changes for the reporting period

(Thousands of UAH)

Line	Provision flows	Notes	Credit related liabilities	Total
1	2	3	4	5
1	Opening balance		321	321
2	Forming and/or increase of provision		(68)	(68)
3	**Closing balance**		**253**	**253**

Provisions for liabilities listed in the table are formed under bank guarantees granted to legal entities, and unused remains on credit lines accounted on off-balance sheet accounts.

Table 18.2. Provisions on liabilities changes on the previous period

(Thousands of UAH)

Line	Reserve flows	Notes	Credit related liabilities	Total
1	2	3	4	5
1	Opening balance		12	12
2	Forming and/or increase of provision		309	309
3	**Closing balance**		**321**	**321**

Note 19. Other financial liabilities

Table 19.1. Other financial liabilities

(Thousands of UAH)

Line	Item	Note	Reporting Period	Previous period
1	2	3	4	5
1	Accounts payable on foreign exchange transactions		25	284
2	Derivative financial liabilities in the trading bank portfolio		2 905	-
3	Other financial liabilities		98	488
4	**Other financial liabilities total**		**3 028**	**772**

Note 20. Other liabilities

(Thousands of UAH)

Line	Item	Notes	Reporting Period	Previous period
1	2	3	4	5
1	Accounts payable on taxes and charges, excluding the income tax		2 171	1 651
2	Credit debts on payments to the bank employees		466	1 185
3	Income of future periods		133	52
4	**Total**		**2 770**	**2 888**

Note 21. Statutory capital and share premium

(Thousands of UAH)

Line	Item	Quantity of stock in circulation (thousands pieces)	Common shares	Total
1	2	3	4	5
1	Balance as for the beginning of the previous period	250	250	250 000
2	Share issue	-	-	-
3	Balance as for the end of the previous period (beginning of the reporting period)	250	250	250 000
4	**Balance as for the end of the reporting period**	**250**	**250**	**250 000**

In 2013, the Bank has not issued any shares Total amount of common shares issued is 250 000 with a par of one share of UAH 1000. Each ordinary registered share gives the shareholder the right of one vote in all matters, including decisions made by the General Meeting of Shareholders.

Note 22. Analysis of the assets and liabilities on their maturity terms

(Thousands of UAH)

Line	Item	Notes	Reporting Period			Previous period		
			Less than 12 months	More than 12 months	Total	Less than 12 months	More than 12 months	Total
1	2	3	4	5	6	7	8	9
ASSETS								
1	Cash and cash equivalents	6	312 903	-	312 903	316 132	-	316 132
2	Assets of obligatory provisions in the National Bank of Ukraine	-	34 990	-	34 990	14 248	-	14 248
3	Trading securities	7	-	-		15 540	-	15 540
4	Due from other banks	9	185 649	-	185 649	150 793	-	150 793
5	Loans to customers	10	1 398 188	338 767	1 736 955	1 340 898	263 187	1 604 085
6	Securities held-to-maturity in the Bank portfolio	12	180	-	180	17 451	-	17 451
7	Deferred tax assets		-	-	-	419	-	419
8	Main assets and intangible assets	16	2 390	18 970	21 360	-	23 319	23 319
9	Other financial assets	17	6 490	-	6 490	3 504	-	3 504
10	Other assets	18	3 923	-	3 923	2 037		2 037
11	**Assets Total**		**1 944 713**	**3 57 737**	**2 302 450**	**1 861 022**	**286 506**	**2 147528**
LIABILITIES								
12	Due to banks	20	260 117		260 117	255 042	-	255 042
13	Due to clients	21	1 554 390	169 962	1 724 352	1 570 560	28 898	1 599 458
14	Other involved assets	23	16 019	504	16 523	-	640	640
15	Liabilities on the current income tax		75	-	75	725	-	725
16	Deferred tax liabilities		720	-	720	-	-	-
17	Liabilities provisions	24	253	-	253	321	-	321
18	Other financial liabilities	25	3 028	-	3 028	772	-	772
19	Other liabilities	26	2 770	-	2 770	2 888	-	2 888
20	**Liabilities Total**		**1 837 372**	**170 466**	**2 007 838**	**1 830 308**	**29 538**	**1 859 846**

Note 23. Interest income and expenses

(Thousands of UAH)

Line	Item	Reporting Period	Previous period
1	2	3	4
INTEREST INCOME			
1	Loans to customers	251 155	205 461
2	Securities in the Bank portfolio before redemption	549	865
3	Due from other banks	16 603	12 456
4	Trading debt securities	1 780	2 347
5	Correspondent accounts in other banks	620	714
6	Overnight deposits in other banks	2	-
7	**Interest income total**	**270 709**	**221 843**
INTEREST EXPENSES			
8	Term deposits of legal entities	(51 388)	(43 463)
9	Other involved funds	(111)	(95)
10	Term deposits of legal entities	(116 022)	(94 095)
11	Term deposits of other banks	(21 415)	(19 364)
12	Overnight deposits of other banks	(7)	(2)
13	Current accounts	(5 174)	(3 928)
14	Correspondent accounts	(3 626)	-
15	**Interest expenses total**	**(197 743)**	**(160 947)**
16	**Net interest income / (expenses)**	**72 966**	**60 896**

Note 24. Commission income and expenses

(Thousands of UAH)

Line	Item	Reporting Period	Previous period
1	2	3	4
COMMISSION INCOME			
1	Cash operations	9 484	7 520
2	Securities operations	2	3
3	Fiduciary operations	326	-
4	Other	7 936	7 615
5	Granted guarantees	1 845	470
6	**Commission income total**	**19 592**	**15 608**
COMMISSION EXPENSES			
7	Cash operations	(1 626)	(1 806)
8	Securities operations	(25)	(23)
8	Other	(34)	(42)
9	Granted guarantees	-	(1)
10	**Commission expenses total**	**(1 685)**	**(1 872)**
11	**Net commission income / (expenses)**	**17 907**	**13 736**

Interpretation of "Other (line 4):

- Reporting year: "Other" item includes commission income from transactions of purchase / sale of foreign currency to clients at the foreign exchange market in the amount of UAH 7 676 ths, and other operations with clients in amount of UAH 258 ths.
- Previous year: "Other" item includes commission income from transactions of purchase / sale of foreign currency to clients at the foreign exchange market in the amount of UAH 7 149 ths, and other operations with clients in amount of UAH 466 ths.

Note 25. Other operating income

(Thousands of UAH)

Line	Item	Notes	Reporting Period	Previous period
1	2	3	4	5
1	Sublease income		157	95
2	Income from loans and receivables sale		-	2 552
3	Income from retirement of property and equipment and intangible assets		74	63
4	Other		710	93
5	**Operating income total**		**941**	**2 803**

The article "Other" includes:

- Reporting period: this article includes the return of previously accrued interest on deposits prematurely terminated in the amount of UAH 577 ths, refund of the court fee paid amount of UAH 67 ths, insurance compensation - UAH 35 ths.
- Previous period: this article includes income received under the settlement agreement and the claim right assignment agreement in the amount of UAH 86 ths.

Note 26. Administrative and other operating expenses

(Thousands of UAH)

Line	Item	Notes	Reporting Period	Previous period
1	2	3	4	5
1	Staff costs		29 768	27 457
2	Property and equipment depreciation		3 433	4 324
3	Amortization of software and other intangible assets		496	793
4	Expenses for maintenance of property and equipment and intangible assets, telecommunications and other operating services		3 237	3 342
5	Operating leasing (rent) expenses		9 442	9 982
6	Other expenses related to fixed assets		1 677	1 497
7	Professional services		1 142	1 069
8	Marketing and advertisement expenses		130	1 705
9	Insurance expenses		18 906	16 546
10	Payment of other taxes and charges excluding the income tax		9 156	4 599
11	Other		3 102	2 830
12	**Administrative and other operating expenses total**		**80 489**	**74 144**

Note 27. Income tax expenses

Table 27.1. Income tax expenses

(Thousands of UAH)

Line	Item	Reporting Period	Previous period
1	2	3	4
1	Current income tax	1 262	1 186
2	Change of deferred income tax	1 139	32
3	**Income tax expenses total**	**2 401**	**1 218**

Table 27.2. Accordance of the amount of accounted income (loss) and income (loss) tax amount

(Thousands of UAH)

Line	Item	Reporting Period	Previous period
1	2	3	4
1	Income before tax	11 804	5 570
2	Theoretical tax accruals on relevant tax rate	2 243	1 170
ADJUSTMENT OF THE ACCOUNTED INCOME (LOSS)			
3	Expenses that are not included in the total expenses to calculate tax income, but are recognized in the accounting (specify which one)	1 391	1 449
4	Expenses that are included in the total expenses to calculate tax income, but are not recognized in the accounting (specify which one)	(2 779)	(890)
5	Income subject to income tax, but not recognized (not included) to accounted income (loss) (specify which one)	257	850
6	Income not subject to income tax, but recognized (not included) to accounted income (loss) (specify which one)	150	(1 393)
7	**Amount of income (loss) tax**	**1 262**	**1 186**

In 2013, the difference between the tax and accounted income that are present due to the temporal and permanent differences arose due the following parameters:

- **expenses,** which are not included to the amount of expenses in order to calculate the tax income, but are defined in the accounting in the amount of UAH 1391 ths, including:
  staff costs – UAH 442 ths;
  expenses on maintenance of own and leased fixed assets – UAH 718 ths. (including depreciation – UAH 716 ths.);
  other business and operating costs– UAH 24 ths;
  insurance provision formed for credit lines– UAH 1576 ths.;
  other administrative expenses and telecommunication costs– UAH 40 ths.;
  payment of taxes and other obligatory charges, charges to Deposit Guarantee Fund included– UAH 1737 ths.;
  other expenses – UAH 6 ths.

- **expenses,** which are included to the amount of expense in order to calculate the tax income, but are not defined in the accounting in the amount of UAH 2 779 ths., including:
  vacation provision – UAH 474 ths.

fixed assets depreciation – UAH 659 ths;
results of writing-off of the fixed asses – UAH 8 ths;
payment of taxes and other obligatory charges, charges to Deposit Guarantee Fund included– UAH 1638 ths.;

- **income**, which is not liable to income tax, but are defined in the accounting in the amount of UAH 150 ths, including:
  interest income on the securities– UAH 153 ths;
  results of trading operations with securities - UAH 15 ths;
  results of consignment of the fixed asses – UAH 18 ths;

- **income**, which is liable to income tax, but are not defined in the accounting in the amount of UAH 257 ths, including:
  interest income on the securities– UAH 237 ths;
  results of consignment of the fixed asses – UAH 3 ths;
  results of consignment of the securities – UAH 17 ths;

In 2012, the difference between the tax and accounted income that are present due to the temporal and permanent differences arose due the following parameters:

- **expenses,** which are not included to the amount of expenses in order to calculate the tax income, but are defined in the accounting in the amount of UAH 1,651 ths, including:
  other operating expenses – UAH 4 ths.
  staff costs – UAH 129 ths;
  expenses on maintenance of own and leased fixed assets – UAH 1101 ths. (including depreciation – UAH 1075 ths.);
  other business and operating costs– UAH 29 ths;
  insurance provision formed for credit lines– UAH 3 ths.;
  other administrative expenses and telecommunication costs– UAH 14 ths.;
  payment of taxes and other obligatory charges, charges to Deposit Guarantee Fund included– UAH 345 ths.;
  other expenses – UAH 26 ths.

- **expenses,** які which are included to the amount of expense in order to calculate the tax income, but are not defined in the accounting in the amount of UAH 1092 ths., including:
  vacation provision – UAH 212 ths.
  fixed assets depreciation – UAH 670 ths;
  results of writing-off of the fixed asses – UAH 8 ths;
  Contributions to the provision on the depreciation of credits and due from other banks — UAH 202 ths;

- **income**, which is not liable to income tax, but are defined in the accounting in the amount of UAH 1393 ths, including:
  interest income on the securities — UAH 675 ths;
  results of trading operations with securities - UAH 701 ths;
  results of consignment of the fixed asses – UAH 17 ths;

- **income**, which is liable to income tax, but are not defined in the accounting in the amount of UAH 850 ths, including:
  interest income on the securities — UAH 836 ths;
  results of consignment of the fixed asses – UAH 14 ths;

Table 27.3. The tax results related to the recognition of the deferred tax assets and liabilities for the reporting period

(Thousands of UAH)

Line	Item	Opening balance	Recognized in income/ losses	Closing balance
1	2	3	4	5
1	The tax impact of the temporal differences that decrease (increase) the taxation amount, and the transferred taxes for future periods			
1.1	Property and equipment	511	3	514
1.2	Vacation provision	225	(141)	84
1.3	Deposit Guarantee Fund	311	78	389
1.4	Provisions on other banks receivables	(192)	(1 515)	(1 707)
1.5	Other (securities)	(436)	436	-
2	Deferred net tax asset (liability)	419	(1 139)	(720)
3	Recognized deferred tax asset	419	(419)	-
4	Recognized deferred tax liabilities	-	(720)	720

Note 27.4 The tax results related to the recognition of the deferred tax assets and liabilities for the previous period

(Thousands of UAH)

Line	Item	Opening balance	Recognized in income/ losses	Closing balance
1	2	3	4	5
1	The tax impact of the temporal differences that decrease (increase) the taxation amount, and the transferred taxes for future periods			
1.1	Property and equipment	341	170	511
1.2	Accrued income (losses)	242	102	344
1.3	Other	(132)	(304)	(436)
2	Deferred net tax asset (liability)	451	(32)	419
3	Recognized deferred tax asset	451	(32)	419

Note 28. Earnings / (loss) per ordinary share

Table 28.1. Basic and diluted Earnings / (loss) per ordinary share

(Thousands of UAH)

Line	Item	Notes	Reporting Period	Previous period
1	2	3	4	5
1	Income/(loss), owned by the common share shareholders of the Bank		9 403	4 352
2	Annual income / (loss)		9 403	4 352
3	Average annual quantity of common shares in circulation (ths. p.)	28	250	250
4	**Net and adjusted income / (loss) on one ordinary share**		**37,61**	**17,41**

Table 28.2. Calculation of income / (loss) owned by the shareholders of the common and preference shares of the Bank

(Thousands of UAH)

Line	Item	Notes	Reporting Period	Previous period
1	2	3	4	5
1	Annual income/(loss) owned by the Bank owners		9 403	4 352
2	Common stock dividends	29	2 473	2 030
3	Annual retained income / (loss)		9 403	4 352
4	Dividends on ordinary share, approved for payment during the year	29	2 473	2 030
5	Annual income/(loss) owned by the shareholders, who are the owners of the common shares		9 403	4 352

Note 29. Dividends

(Thousands of UAH)

Line	Item	Reporting Period		Previous period	
		Common shares	Preference shares	Common shares	Preference shares
1	Opening balance	-	-	-	-
2	Dividends approved for payment during the year	2 473	-	2 030	-
3	Dividends paid during a year	2 473	-	2 030	-
4	Closing balance	-	-	-	-
5	Dividends for a share approved for payment during the period	9,89		8,12	

Common shares give their holders the right to receive part of the income of the Bank in the form of dividends, to participate in the management of the Bank, to receive part of the Bank property in case of its liquidation and other rights, according to the Law of Ukraine "On Joint Stock Companies". Common shares give their holders equal rights.

General Meeting of Shareholders decides about the order of payment of dividends, according to the legislation of Ukraine currently in force, and the Charter of the Bank. Each common share of the Bank is charged by same amount of dividends.

Dividends are paid once a year as results of the calendar year. Dividends paid from net income of the reporting year and / or retained income in the amount set by the General Meeting of Shareholders.

Payment of dividends to shareholders is held once in its full amount within the period set by the General Meeting of Shareholders in the decision on payment of dividends. Dividends are paid within a period not later than six months after the end of the reporting year.

Note 30. Operating segments

Table 30.1. Income, expenses and results of the reporting segments for the reporting period

(Thousands of UAH)

Line	Item	Reporting segment item			Other segments and operations	Retirement	Total
		Service of corporate clients	Service of individuals	Interbank business			
1	2	3	4	5	6	7	8
	Income from external clients						
1	Interest income	247 325	3 831	17 225	2 329		270 709
2	Commission income	14 167	3 957	1 467			19 592
3	Other transactional income	383	429	-	35		847
	Income from other segments						
6	Other transactional income				94		94
7	Segments income total	261 875	8 217	18 693	2 457		291 242
8	Interest expense	(53 256)	(119 328)	(25 047)	(111)		(197 743)
9	Charges to the provision on the depreciation of loans and due from other banks	36 457	74	(771)	(604)		35 157
11	Results of transactions with the securities in the Bank trading portfolio						
13	Results of trading transactions with other financial instruments			(3 770)			(3 770)
15	Results of transactions with the foreign currency			1 857			1 857
16	Result of revaluation of trading operations with foreign currency				5 643		5 643
18	Commission expense		(728)	(927)	(30)		(1 685)
21	Charges to the provision on the liabilities	96	(28)				(68)
22	Administrative and other transactional expenses		(498)		(79 991)		(80 489)
24	SEGMENT RESULT: Income/(loss)	245 172	(112 290)	(9 966)	(72 713)		50 203

Table 30.2 Income, expenses and results of the reporting segments for the previous period

(Thousands of UAH)

Line	Item	Reporting segment item			Other segments and operations	Retirement	Total
		Service of corporate clients	Service of individuals	Interbank business			
1	2	3	4	5	6	7	8
	Income from external clients						
1	Interest income	202 113	3 348	13 170	3 212		221 843
2	Commission income	14 363		1 245			15 608
3	Other transactional income	2 569	52	-	119		2 740
	Income from other segments						
6	Other transactional income				63		63
7	Segments income total	219 045	3 400	14 415	3 394		240 254
8	Interest expense	(45 080)	(96 407)	(19 366)	(95)		(160 947)
9	Charges to the provision on the depreciation of loans and due from other banks	(1 814)	(249)	302			(1 761)
10	Results of transactions with the foreign currency				3 340		3 340
11	Result of revaluation of trading operations with foreign currency			(3 159)			(3 159)
12	Commission expense			4 631			4 631
13	Charges to the provision on the liabilities				(463)		(463)
14	Administrative and other transactional expenses	(1)	(950)	(898)	(23)		(1 872)
15	SEGMENT RESULT: Income/(loss)	(308)	(2)				(309)

Table 30.3. Assets and liabilities of the reporting segments for the reporting period

(Thousands of UAH)

Line	Item	Reporting segment item			Other segments and operations	Total
		Service for corporate clients	Service for individuals	Investment activity of the Bank		
	ASSETS OF SEGMENTS					
1	Assets of segments	1 750 325	24 016	468 986		2 243 328
2	Assets of segments total	1 750 325	24 016	468 986		2 243 328
3	Unallocated assets				96 508	96 508
4	Assets total	1 750325	24 016	468 986	96 508	2 339 836

	LIABILITIES OF SEGMENTS					
5	Liabilities of segments	824 033	900 319	260 118	16 523	2 000 993
7	Liabilities of segments total	824 033	900 319	260 118	16 523	2 000 993
8	Unallocated liabilities				13 575	
9	Liabilities Total	824 033	900 319	260 118	30 098	2014568
	OTHER SEGMENT ITEMS					
10	Capital investment				(233)	(233)
11	Depreciation				(1 931)	(1 931)
12	Other non-monetary income (expenses)					

Table 30.4 Assets and liabilities of the reporting segments for the previous period

(Thousands of UAH)

Line	Item	Reporting segment item			Other segments and operations	Total
		Service of corporate clients	Service of individuals	Investment activity of the Bank		
	ASSETS OF SEGMENTS					
1	Assets of segments	1 597 112	22 513	446 711	17 451	2 083 787
2	Assets of segments total	1 597 112	22 513	446 711	17 451	2 083 787
3	Unallocated assets				63 741	63 741
4	Assets Total	1 597 112	22 513	446 711	81 192	2 147 528
	LIABILITIES OF SEGMENTS					
5	Liabilities of segments	637 147	962 312	255 042	640	1 855 141
7	Liabilities of segments total	637 147	962 312	255 042	640	1 855 141
8	Unallocated liabilities				4 705	4 705
9	Liabilities Total	637 147	962 312	255 042	5 346	1 859 847
	OTHER SEGMENT ITEMS					
10	Capital investment				(68)	(68)
11	Depreciation				(1 261)	(1 261)
12	Other non-monetary income (expenses)					

Table 30.5. Information on geographical regions

(Thousands of UAH)

Line	Item	Reporting year			Previous year		
		Ukraine	other countries	Total	Ukraine	other countries	Total
1	2	3	4	5	6	7	8
1	Income from external clients	291 149	-	291 149	240 147	44	240 191
2	Fixed assets	18 967	-	18 967	20 816	-	20 816

Note 31. Financial risk management

The goals of financial risk management in the Bank are 1) to ensure profitable activities taking into account a moderate level of risks; 2) adherence to all requirements of the NBU on the risk management; 3) approach of risk management standards to guidelines of Basel Committee (in particular, changes in regulations of bank risk management provide a gradual transition from Basel I to Basel II-III).

Risk management system in the Bank is designed so that it involves all management levels: the Supervisory Board determines the Bank development strategy, including on risk management; the Bank Management Board carries out operating management of the Bank activities, including consideration of maintaining the moderate level of risks; Analysis and Risk Management Department provides direct analysis, monitoring and control of the risks which impact on the Bank indicators is the most significant.

In addition, collegial bodies (Loan Committee, Asset and Liability Management Committee, Tariff Committee, Tender Committee) have been established and are permanently functioning in the Bank, which task includes operational decisions on tactical objectives of the risk management.

The level of the Bank risk management system is in full accordance with the volumes and complexity of the transactions performed. Since 2008, the Bank uses up to-date analytical module "Asset and Liability Analyzer", enabling to receive automatically management reporting for managing the principal risk types and make promptly required decisions on minimizing the adverse effect of risks on the Bank financial indices.

Among the financial risks that are managed by the Bank on a systematic basis (daily) the traditional ones should be singled out: credit risk, market risk (interest rate, currency and price risks) and liquidity risk.

Credit risk

Credit risk (the most significant risk among all) is the risk that a borrower fails to repay the loan and interest thereon. Minimization of this risk is achieved through clear credit procedures for credit operations and deliberate techniques implemented by the Bank that are used in ,borrower solvency analysis, as well as through lending primarily under the liquid securities (real estate, property rights for cash deposits of banks and other).

Among the methods the Banks uses in risk management should be singled out: limit setting on credit operations (on borrower, economy branches, associated persons etc.); obligatory adherence to economic standards of the NBU (standards of credit risk); use of the up-to-date methods of analysis of borrower's activities; setting of the credit ratings of the own Bank scale on the basis of financial stability of the borrower; insurance of the pledged property and financial risks; use of different measurement methods of marker value of pledged property (profit, expense methods and method of analogues); performance of the stress testing of the credit portfolio taking into account the changes in business environment).

In addition, the Bank has set limits to the authorities of departments within which the Credit commissions of the departments may lend own clients. All non-limit credit operations shall be approved by the Credit Commission of the Head office.

During the year of 2013, the Bank has actualized the majority of regulations related to the credit risk management.

The highest credit risk value is represented as follows:

(Thousands of UAH)

	December 31, 2013	December 31, 2012
Statement on financial position		
Cash and cash equivalents (excluding cash on hand)	244 145	279 352
Trading securities	-	15 540
Due to other banks	185 649	150 793
Loans and advances to customers	1 736 955	1 604 085
Securities held-to-maturity	-	17 451
Securities available for sale	180	
Other financial assets	6 490	3 504
	2 173 419	2 070 725
Balanced items		
Liabilities related to crediting	133 666	70 912
Guarantees	119 936	63 255
	253 602	134 167

Market risk

Market risk is the risk of unforeseen losses of the Bank arising from adverse changes in interest rates, foreign exchange rates, share prices, etc. Under the classification of the Basel Committee, the market risks comprise currency risk, interest rate risk and price risk. Market risk management under the above classification is performed centrally by the Analysis and Risk Management Department using up-to-date methods of measuring, assessment and control over their level. The reports on market risk are read over by the Asset and Liability Management Committee that subsequently makes decisions on adjustment of risk positions taking into account expected/forecast levels of exchange rates, interest rates and securities prices.

The Bank activities are mostly affected by currency and interest rate risks, whereas price risk does not actually exist, because as for the end of 2013, the Bank has insignificant e any remains on balance on securities with unfixed income (UAH 784 ths.) purchased during the reporting year.

Currency risk

Currency risk (market component of risk) is the risk related to existing or potential effects of adverse fluctuations of the exchange rates and banking metal values on the Bank proceeds. Minimization of this risk is achieved through the foreign exchange transactions made by the Bank solely within the currency position limits.

Among the methods the Banks uses in the currency risk management should be singled out: VAR methodology; fixing of limits to maximum possible amounts of currency position; obligatory adherence to economic standards of the NBU (currency risk standards); currency risks hedges; back-testing; stress testing under various scenarios of development of financial markets.

Table 31.1. Analysis of currency market

(Thousands of UAH)

Line	Currency name	As for reporting date of the reporting period				As for reporting date of the previous period			
		Monetary assets	Monetary liabilities	Derivative financial instruments	Net position	Monetary assets	Monetary liabilities	Derivative financial instruments	Net position
1	2	3	4	5	6	7	8	9	10
1	US dollar	1 302 770	1 318 193	119	(15 304)	1 319 329	1 344 597	-	(25268)
2	Euro	350 219	340 251	(16 523)	(6 555)	356 774	356 443	-	331
3	Precious metals	1 644	142	-	1 502	-	-	-	-
4	Other currencies (freely convertible)	127	-	-	127	23	-	-	23
5	Other currencies (inconvertible)	456	1 378	-	(922)	4 386	2 276	-	2 110
6	Total*	1 655 216	1 659 964	(16 404)	24 410	1 680 512	1 703 316	-	27 732

*in the column “Net position” the general position on all currencies is shown.
Precious metals: Gold - 1497, Silver - 5.
Other currencies (freely convertible): British pound of sterling - 91, Swiss francs - 36.
Other currencies (inconvertible): Russian rubles - (945), Polish złoty - 23.

Table 31.2. Change of profit or loss and equity as a result of possible changes in hryvnia official exchange rate to foreign currencies set on the balance date, ensuring that all other variables characteristics remain fixed

(Thousands of UAH)

Line	Item	As for reporting date of the reporting period		As for reporting date of the previous period	
		Impact on income/ (loss)	Impact on equity capital	Impact on income/(loss)	Impact on equity capital
1	2	3	4	5	6
1	Strengthening of US dollar by 5 %	(765)	(765)	(1 263)	(1 263)
2	Weakening of US dollar by 5 %	765	765	1 263	1 263
3	Strengthening of euro by 5 %	(330)	(330)	17	17
4	Weakening of euro by 5 %	330	330	(17)	(17)
5	Strengthening of British pound of sterling by 5 %	5	5	1	1
6	Weakening of British pound of sterling by 5 %	(5)	(5)	(1)	(1)
7	Strengthening of other currencies and bank metals	(44)	(44)	106	106
8	Weakening of other currencies and bank metals	44	44	(106)	(106)

Table 31.3. Change of profit or loss and equity as a result of possible changes in hryvnia official exchange rate to foreign currencies set as average weighted rate, ensuring that all other variables characteristics remain fixed

(Thousands of UAH)

Line	Item	Average-weighted exchange rate of the reporting period		Average-weighted exchange rate of the previous period	
		Impact on income/(loss)	Impact on equity capital	Impact on income/(loss)	Impact on equity capital
1	2	3	4	5	6
1	Strengthening of US dollar by 5 %	(765)	(765)	(1 263)	(1 263)
2	Weakening of US dollar by _ %	765	765	1 263	1 263
3	Strengthening of euro by 5 %	(315)	(315)	16	16
4	Weakening of euro by 5 %	315	315	(16)	(16)
5	Strengthening of British pound of sterling by 5 %	4	4	1	1
6	Weakening of British pound of sterling by 5 %	(4)	(4)	(1)	(1)
7	Strengthening of other currencies and bank metals	(46)	(46)	106	106
8	Weakening of other currencies and bank metals	46	46	(106)	(106)

Interest risk

Interest rate risk is the risk related to existing or potential effects of adverse fluctuations in the interest rates on the Bank proceeds. Minimization of this risk is achieved through balancing the assets and liabilities that are sensitive to changes in the interest rate.

Among the methods the Banks uses in the interest rate risk management should be singled out: GAP analysis and fixing of the limits to maximum possible gaps between the assets and liabilities that are sensitive to changes in the interest rate; managing of the structure of assets and liabilities using indicators of spread, net interest margin, profitability/value of individual items of interest-bearing assets/liabilities (by currency); implementing a deliberate price policy to maximize net interest income; stress testing under various scenarios of development of financial markets.

Table 31.4. General analysis of the interest risk

(Thousands of UAH)

Line	Item	On demand and less than 1 month	1-6 months	6-12 months	More than 1 year	Non-monetary	Total
1	2	3	4	5	6	7	8
	Reporting period						
1	Cash total	542 053	462 446	737 120	344 867	130 078	2 216 564
2	Financial liabilities total	766 390	256 361	618 814	170 185	-	1811850
3	Net gap between the interest rates at the end of previous period	(224 337)	206 085	118 206	174 682	130 078	404 714
	Previous period						
4	Cash total	546 325	680 975	367 901	268 279	75 549	1 939 029
5	Financial liabilities total	410 356	769 087	419 745	29 396	-	1 628 584
6	Net gap between the interest rates at the end of previous period	135 969	(88112)	(51 844)	238 883	75 549	310 445

The table shows interest rate sensitive cash and liabilities at book value and maturity terms.

Interests on cash and all liabilities presented in the table are calculated at fixed rates.

Table 31.5. Monitoring of interest rates on financial instruments

(%)

Line	Item	Reporting Period				Previous period			
		hryvnia	US dollar	Euro	Other	hryvnia	US dollar	Euro	Other
1	2	3	4	5	6	7	8	9	10
	Assets								
1	Cash and cash equivalents	10,39	0,21	0,00	1,90	10,64	1,01	0,07	2,13
2	Cash of obligatory provisions in NBU	2,25	-	-	-	2,25	-	-	-
3	Trading debt securities	-	-	-	-	4,94	-	-	-
4	Due from other banks	9,93	2,55	3,21	-	17,93	10,21	-	-
5	Loans to customers	17,86	11,84	12,18	-	16,46	11,51	10,85	-
6	Debt securities held-to-maturity in the Bank portfolio	-	-	-	-	4,94	-	-	-
7	Other assets	-	2,00	-	-	-	2,00	-	-
	Liabilities								
8	Due to banks	12,35	2,06	1,80	-	9,16	8,59	0,07	5,71
9	Due to clients:								
9.1	Current accounts	1,95	1,10	0,34	-	1,34	1,77	0,12	0,06
9.2	Term deposits	18,12	9,34	7,78	-	18,28	9,87	8,14	-
10	Other attracted funds	13,50	9,50	-	-	13,50	-	-	-

The table shows the average data rate. Interest rate is calculated as a percentage of annual account. The interest rate is calculated in percents in annual accounting.

Geographical risk

Table 31.6. Analysis of geographical concentration of cash and liabilities on the reporting period

(Thousands of UAH)

Line	Item	Ukraine	OECD	other countries	Total
1	2	3	4	5	6
	Assets				
1	Cash and cash equivalents	304 869	7 834	200	312 903
2	Cash of obligatory provisions in NBU	34 990	-	-	34 990
3	Trading securities	-	-	-	-
4	Due from other banks	185 649	-	-	185 649
5	Loans to customers	1 736 955	-	-	1 736 955
6	Securities in the Bank portfolio before redemption	180	-	-	180
7	Other financial assets	6 490	-	-	6 490
8	Financial assets total	2 269133	7 834	200	2 277167

	Liabilities				
9	Due to banks	260 117	-	-	206 117
10	Due to clients	1 317 543	60	406 749	1 724352
11	Other attracted funds	504	-	16 019	16 523
12	Other financial liabilities	3 028	-	-	3028
13	Financial liabilities total	1 581 192	60	422 768	2 004 020
14	Net balance position on financial instruments	687 941	7 774	(422 568)	273 147
15	Credit related liabilities	253 348	-	-	253 348

Table 31.7 Analysis of geographical concentration of cash and liabilities on the previous period

(Thousands of UAH)

Line	Item	Ukraine	OECD	other countries	Total
1	2	3	4	5	6
	Assets				
1	Cash and cash equivalents	312 412	2 817	903	316 132
2	Cash of obligatory provisions in NBU	14 248			14 248
3	Trading securities	15 540	-	-	15 540
4	Due from other banks	150 793	-	-	150 793
5	Loans to customers	1 604 085	-	-	1 604 085
6	Securities in the Bank portfolio before redemption	17 451	-	-	17 451
7	Other financial assets	3 504	-	-	3 504
8	Financial assets total	2 118 033	2 817	903	2 121 753
	Liabilities				
9	Due to banks	207 084	-	47 958	255 042
10	Due to clients	1 184 730	10	414 718	1 599 458
11	Other attracted funds	640	-	-	640
12	Other financial liabilities	772	-	-	772
13	Financial liabilities total	1 393 226	10	462 676	1 855 912
15	Net balance position on financial instruments	724 807	2 807	(461773)	265 841
16	Credit related liabilities	133 846	-	-	133 846

Liquidity risk

Liquidity risk is the risk that the Bank will not be able to discharge its liabilities to the clients and counterparties on a timely basis and in full. Minimization of this risk is achieved through balancing by the Bank of own structure of assets and liabilities by repayment/maturity dates (including by basic currencies in which the Bank makes the transactions).

Among the methods the Banks uses in liquidity risk management should be singled out: GAP analysis and setting of the limits to maximum possible gaps of liquidity; using of payment schedule; adherence to the liquidity ratios (including mandatory economic standards of the NBU and mandatory provision standards); diversification of assets and liabilities; maintaining an emergency plan in active state; stress testing of the Bank liquidity positions under various scenarios of development of financial markets.

Table 31.8. Analysis of financial liabilities on their maturity for the reporting period

(Thousands of UAH)

Line	Item	On demand and less than 1 month	1-3 months	3-12 months	1-5 years	Total
1	2	3	4	5	6	7
1	Due to banks	260 117	-	-	-	260 117
2	Due to clients:	656 674	93 979	803 927	169 975	1 724 555
2.1	Cash of individuals	296 959	77 555	487 884	38 090	900 488
2.2	Other	359 715	16 424	316 043	131 885	824 067
3	Other attracted funds	-	-	16 019	504	16 523
4	Other financial liabilities	1 834	134	1 060	-	3 028
5	Financial guarantees	2 382	113 839	3 715	-	119 936
6	Credit related liabilities	9 986	3 763	32 175	87 742	133 666
7	Potential future payments on financial liabilities total	930 993	211 715	856 896	258 221	2 257825

The following maturities shown in the table are determined from the reporting date to the maturity date under the contract. These amounts represent the contractual undiscounted cash flows differ from the amount included in the balance, as the balance amount is based on discounted cash flows. Financial instruments accounted by a net basis, are presented in the net amount.

Table 31.9. Analysis of financial liabilities on their maturity for the previous period

(Thousands of UAH)

Line	Item	On demand and less than 1 month	1-3 months	3-12 months	1-5 years	Total
1	2	3	4	5	6	7
1	Due to banks	207 084	47 958	-	-	255 042
2	Due to clients:	423 160	312 784	834902	28 958	1 599 804
2.1	Due to individuals	139 988	276 521	517 176	28 958	962 642
2.2	Other	283 172	36 263	317 726		637 161
3	Other attracted funds	-	-	-	641	641
4	Other financial liabilities	301	16	455	-	772
5	Financial guarantees	504	3055	59 696	-	63 255
6	Credit related liabilities	3 705	8 029	15 241	43 937	70 912
7	Potential future payments on financial liabilities total	634 753	371 843	910 294	73 535	1 990 425

Table 31.10. Analysis of cash and liabilities on the maturity terms on the basis of expected maturity terms for the reporting period

(Thousands of UAH)

Line	Item	On demand and less than 1 month	1-3 months	3-12 months	1-5 years	Total
1	2	3	4	5	6	7
	Assets					
1	Cash and cash equivalents	312 903	-	-	-	312 903
2	Cash of obligatory provisions in NBU	34 990	-	-	-	34 990
3	Trading securities	-	-	-	-	-
4	Due from other banks	171 081	14 568	-	-	185 649
5	Loans to customers	248 122	125 859	1024207	338 767	1 736 955
6	Securities in the Bank portfolio available for sale	180				180
7	Other financial assets	5 221	133	1 136		6 490
8	Financial assets total	772 497	140 560	1025343	338 767	2 277 167
	Liabilities					
9	Due from other banks	260 117				260 117
10	Due to clients	656 639	93 929	803 822	169 962	1 724 352
11	Other attracted funds			16 019	504	16 523
12	Other financial liabilities	1 834	134	1 060		3 028
13	Financial liabilities total	918 590	94 063	820 901	170 466	2 004 020
14	Net liquidity gap on the end of December 31	(146 093)	46 497	204 442	168 301	273 147
15	Total liquidity gap on the end of December 31	(146 093)	(99596)	104 846	273 147	273 147

These cash and liabilities are presented in the table at book value, i.e. considering discounted cash flows.

Table 30.11 Analysis of cash and liabilities on the maturity terms on the basis of expected maturity terms for the previous period

(Thousands of UAH)

Line	Item	On demand and less than 1 month	1-3 months	3-12 months	1-5 years	Total
1	2	3	4	5	6	7
	Assets					
1	Cash and cash equivalents	316 132	-	-	-	316 132
2	Cash of obligatory provisions in NBU	14 248				14 248
3	Trading securities	15 540	-	-	-	15540
4	Due from other banks	150 793	-	-	-	150 793
5	Loans to customers	318 096	418 740	604 062	263 187	1 604 085

6	Securities in the Bank portfolio before redemption	16 808	643	-	-	17 451
7	Other financial assets	3 504	-	-	-	3 504
8	Financial assets total	835 121	419 383	604062	263 187	2 121 753
	Liabilities					
9	Due from other banks	207 084	47 958	-	-	255 042
10	Due to clients	423 138	312 735	834687	28 898	1 599 458
11	Other attracted funds	-	-	-	640	640
12	Other financial liabilities	301	16	455	-	772
13	Financial liabilities total	630 523	360 709	835142	29 538	1 855 912
14	Net liquidity gap on the end of December 31	204 598	58 674	(231080)	233 649	26 5841
15	Total liquidity gap on the end of December 31	204 598	263 272	32192	265 841	265 841

Note 32. Capital management

Capital management of the Bank is directed primarily to protect from possible risks typical for its activities The Bank controls the capital adequacy both through implementation of mandatory economic standards of the National Bank of Ukraine (capital ratios) and recommended indices established by the Basel Capital Accord. In particular, the Bank performs quarterly calculation of capital adequacy in accordance with the recommendations of the Basel II (quantitative measurement of credit, market and operational risk carried out by applying *Standardized Approach*).

The main objective of the Bank capital management is to ensure balanced growth of assets and regulatory capital. In particular, the Bank policy of conduction of active and passive operations, great importance is given to improvement of the structure of assets weighted considering risk ratio (to prevent too high proportion of assets that have weighed on risk ratio of 100%). Also, it is aimed to improve the level of capitalization (if necessary). The Bank may refuse to pay dividends to participants and / or to provide an increase of regulatory capital either by contributions to the share capital, or by raising subordinated debt. In addition, the Bank is working constantly in order to minimize distractions from regulatory capital: it is performing activities in order to repay overdue income, and is excluding positive liquidity gaps exceeding one year etc.

The standard of capital adequacy adheres to the National Bank of Ukraine requirements.

As required by the National Bank of Ukraine, the banks must maintain a capital adequacy rate on the level of 10 % of assets weighted, considering risk factors. The table below shows the Bank capital adequacy rate, calculated as for December 31, 2013 and 2012. During the reported and previous years, the Bank met all capital standards set by the National Bank of Ukraine.

Table 32. Regulatory capital structure

Table 32.1. Regulatory capital structure

(Thousands of UAH)

Line	Item	Reporting Period	Previous period
1	2	3	4
1	Bank regulatory capital (RC)	293 402	286 984
2	Actually paid registered statutory capital	250 000	250 000
3	Disclosed provisions created or increased on the basis of retained profit :		
3.1	General provisions and provision funds created according to the law of Ukraine	34 388	34 258

3.1.1	Of which provision funds	34 388	34 258
4	Reduction of property and equipment (amount of inchoate provisions; intangible assets excluding depreciation; capital investments to intangible assets, last and previous year damages)	(2 396)	(2 220)
	including;		
4.1	Intangible assets excluding amortization	(2 396)	(1 312)
4.2	Capital investments to intangible assets	(3)	(908)
5	Property and equipment (FA) (first level capital)	281 995	282 038
6	Provisions on standard accounts payable granted to clients, and standard debts on off-balance operations	1 184	2 125
7	Accounting income of the current year (adjusted)	10 223	2 821
8	Additional capital (second level capital)	11 407	4 946
9	Regulatory capital total	293 402	286 984
10	Assets weighted at risk	2 191 557	1 395 380
11	Total amount of open currency position on all foreign currencies	58 442	28 141
12	**Standards of adequacy of regulatory capital (standard is no less than 10 %)**	**13,04%**	**20,16%**

Table 32.2. Bank capital structure calculated on the basis of Basel Capital Accord

(Thousands of UAH)

Line	Item	Reporting year	Previous year
1	2	3	4
1	Actually paid registered statutory capital	250 000	250 000
2	General provisions and provision funds	34 388	34 258
3	Intangible assets excluding amortization	(2 396)	(1 312)
4	Capital investments to intangible assets	(3)	(908)
5	Current year income	10 223	3 423
6	**Capital**	**292 218**	**285 461**

Note 33. Contingencies of the Bank

Bank discloses information on events that occurred at the end of the reporting period but not recognized in other notes, for which the probability of an outflow of resources for economic benefits will not meet the definition of liabilities, including:

a) Hearing of the case in court.

At the reporting date, as for December 31, 2013, there are several court disputes with the participation of "Bank of Investment and Savings" JSC on the amount of UAH 1 892 922.63, which may be resolved in favor of the Bank.
In general, as the preliminary analysis of trials shows, the amount of compensation for the liabilities of Client to the Bank exceeds the amount of possible losses of the Bank in the future.

In general, overall consideration of cases does not bear a risk of negative financial conditions and stability of the Bank.

b) Contingent tax liability.

Bank tax accounting policies aim to adherence to principles of prudence and diligence. Therefore, the Bank does not consider the risks associated with the emergence of potential tax liabilities, and does not assess their financial impact, estimation of uncertainty of possible future changes of these obligations at the end of the reporting period.
Controlling authority has the right to determine the amount of monetary liability of the taxpayer in cases, provided by the Tax Code of Ukraine, before the expiry of 1095 days following the last day of the deadline for filing tax returns.

c) Capital investment liabilities.

Total amount of liabilities relative to the purchase of the fixed assets is UAH 12 ths.

Contract № 2001-12, dated January 20, 2012, concluded with Viktor Mykhailovych Sereda, a private entrepreneur, on support for receiving permits for the installation of advertising structures in Odesa, 75 Katerynynska Street.

Amendment № 14, dated June 10, 2013: a sign at 75 Katerynynska Street, Kyiv, for the amount of UAH 12 ths.

The total amount of liabilities on the purchase of the intangible assets is UAH 3 ths.

Contract № 94030, dated July 1, 2013, concluded with Liha Zakon LLC on the issue of lisence for software use on the amount of UAH 3 ths.

d) Operating lease liabilities (rent).

Table 32.1. Future minimal rent payments on undefined contract on operating leasing (rent)

(Thousands of hryvnias)

Line	Item	Reporting period	Previous period
1	2	3	4
1	Up to 1 year	3 191	1 154
2	1-5 years	7 309	10 700
3	Total	10 500	11 854

As of December 31, 2013, the Bank has concluded 47 contracts on operating leasing, including 35 contracts with up to one year term, and 12 contracts with 1-5 years term.

e) Loan liabilities

At the reporting date, as for December 31, 2013, the amount of unforeseen liabilities related to crediting (generally represent irrevocable lines of credit granted to clients) amounted to UAH 133 665 ths. Their potential financial impact on the financial performance of the Bank is insignificant. According to the degree of uncertainty the existing credit lines do not carry serious risks (liquidity risk in particular), considering that almost all of them are open for up to 1 year, and 92 % of them are revocable, or free from risks.

Table 33.2. Loan liabilities structure

(Thousands of hryvnias)

Line	Item	Note	Reporting period	Previous period
1	2	3	4	5
1	Unused credit lines		133 665	70 912
2	Granted guarantees		119 936	63 255
3	Reserve on loan liabilities		(253)	(321)
4	Credit liabilities total excluding provisions		253 348	133 846

Table 33.3. Credit liabilities by currency

(Thousands of hryvnias)

Line	Item	Reporting period	Previous period
1	2	3	4
1	Hryvnia	163 191	91 519
2	US dollar	90 147	32 137
3	Euro	10	10 190
4	Total	253 348	138 466

f) Pledged assets and assets with limitations associated with their possession, use and disposal.

Table 33.4. Pledged assets without derecognition

(Thousands of hryvnias)

Line	Item	Reporting period		Previous period	
		Pledged assets	Secured liability	Pledged assets	Secured liability
1	2	4	5	6	7
1	Property rights	145 130	145 130	89 875	57 963
2	Total	145 130	145 130	89 875	57 963

These assets are monetary funds deposited in other banks, which issued as pledge to banks on interbank involved funds obtained by pledge agreements for the duration of exercise of short liabilities only.

Note 34. Derivative financial instruments

Table 34.1. Fair value of derivative financial instruments accounted in the trading portfolio of the Bank

(Thousands of hryvnias)

Line	Item	Notes	Reporting period		Previous period	
			Positive fair value	Negative fair value	Positive fair value	Negative fair value
1	2	3	4	5	6	7
1	SWAP contracts		1 448	1 314	-	-
2	SPOT contracts		799	1 590	-	-
3	Net fair value		2 247	2 905	-	-

Note 35. Fair value of financial instruments

The Bank defines the fair value as the amount at which a financial instrument could be exchanged between knowledgeable and willing parties other than in a forced sale or liquidation, and is best proved by an active quoted market price of the financial instrument.

The estimated fair values of financial instruments have been determined by the Bank using available market information, (if exists), and appropriate valuation methodologies:

- For assets with up to one month term the fair value is approximately equals the book value due to the relatively high urgency of these financial instruments. For longer-term debts of other banks and to other banks, interest rates used reflect market rates and, accordingly, the fair value approximates their book value.

The book value of securities available for sale is an adequate estimate of their fair value. Interest-bearing securities include interest rates, reflecting fair market rates and, accordingly, the fair value approximates the book value of these instruments.

The fair value of the credit portfolio is based on the characteristics of service of loans and the interest rates of individual loans within each sector portfolio. Evaluation of reservation on losses on loans is performed taking into account the risk premium applied to different types of loans based on factors such as the current situation in the sector, in which the borrower operates, the financial conditions of each borrower and guarantees obtained. Accordingly, the provision on losses on loans is considered a reasonable estimate of potential losses that would be required to reflect the impact of credit risk.

In general, loans are granted at market rates, and therefore the current balance remains represent a reasonable estimate of fair value. Accordingly, the book value calculated as the amortized cost of such instruments is a reasonable approximation of their fair value.

For deposits with maturity up to one month, the fair value approximates their book value due to relatively short-term maturity of these financial instruments. For longer-term deposit interest rates reflect market rates and, accordingly, the fair value approximates their book value.

Table 35.1. Analysis of financial instruments accounted at the amortized cost

(Thousands of hryvnias)

Line	Item	Reporting period		Previous period	
		Fair value	Book value	Fair value	Book value
1	2	3	4	5	6
	FINANCIAL ASSETS				
1	Cash and cash equivalents	347 893	347 893	330 380	330 380
1.1	Cash assets	68 758	68 758	36 780	36 780
1.2	Cash in NBU (excluding provisions)	67 351	67 351	126 690	126 690
1.3	Obligatory provisions in NBU	34 990	34 990	14 248	14 248
1.4	Correspondent accounts and overnight deposits and credits in banks	176 794	176 794	152 662	152 662
2	Due from other banks	185 649	185 649	150 793	150 793
2.1	Deposits in other banks	98 053	98 053		
2.2	Credits granted to other banks	87 596	87 596	150 793	150793
3	Loans and debts of clients	1 736 955	1 736 955	1 604 085	1 604 085
3.1	Loans to legal entities	1 699 343	1 699 343	1574570	1 574 570
3.2	Loans to individual entrepreneurs	13 643	13 643	7 002	7 002
3.3	Mortgage credits of individuals	1 145	1 145	1 506	1 506
3.4	Credits granted to individuals for current needs	21 274	21 274	20 637	20 637
3.5	Other credits to individuals	1 550	1 550	370	370
4	Securities held-to-maturity in the Bank portfolio			17 451	17 451
4.1	Government bonds			17 451	17 451
5	Financial assets cash	4 243	4 243	3 504	3 504
5.1	Restricted cash	4 202	4 202	2 318	2 318
5.2	Other financial assets	41	41	1 186	1 186
6	**Financial assets accounted at the amortized cost total**	**2 274 740**	**2 274 740**	**2 106 213**	**2 106 213**

	FINANCIAL LIABILITIES				
7	Due to banks	260 117	260 117	255042	255042
7.1	Correspondent accounts and overnight deposits and credits in banks	30 253	30 253	59168	59168
7.2	Deposits of other banks	99 547	99 547	47 958	47 958
7.3	Received credits	130 317	130 317	147 916	147 916
8	Due to clients	1 724 352	1 724 352	1 599 458	1 599 458
8.1	Other legal entities	824 029	824 029	637 146	637146
8.2	Individuals	900 323	900 323	962 312	962312
9	Other attracted funds	16 523	16 523	640	640
9.1	Credits received from international and other financial organizations	16 523	16 523	640	640
10	Other financial liabilities:	123	123	772	772
10.1	Receivables on securities	25	25	285	285
10.2	Other financial liabilities	98	98	487	487
11	**Financial liabilities accounted at the amortized cost total**	**2 001 115**	**2 001 115**	**1 855 912**	**1 855 912**

Table 35.2. Financial liabilities accounted at fair value by levels of its measurement

(Thousands of hryvnias)

Line	Item	Fair value in different measurement models			Fair value total	Book value total
		market quotations (level I)	Measureme nt model using observed data (level II)	Measurement model using indices not proved by the market date (level III)		
1	2	3	4	5	6	7
	FINANCIAL ASSETS					
1	Securities available for sale in the Bank portfolio	180			180	180
1.1	Financial investments to companies	180			180	180
2	Other financial assets	2 247			2 247	2 247
2.1	Derivative financial assets in the Bank trading portfolio	2 247			2 247	2 247
3	**Financial assets accounted at fair value total**	**2 427**			**2 427**	**2 427**
	FINANCIAL LIABILITIES					
4	Other financial liabilities	2 905			2 905	2 905
4.1	Derivative financial liabilities in the Bank trading portfolio	2 905			2 905	2 905
5	**Financial liabilities accounted at fair value total**	**2 905**			**2 905**	**2 905**

The Bank has no financial instruments, fair value of which is determined by its third level evaluation. There were no changes during the reported and previous periods considering income / expense recognized through profit / loss, other comprehensive income, purchase, sale, production, calculation, and transfer “from” or "to" the third level assessment.

During the reported and previous periods, the Bank had no cash, fair value of which cannot be reliably estimated.

Bank did not hold the mortgage, which was allowed to sell or remortgage.

Note 36. Financial assets presentation by the assessment categories

Table 36.1. Financial assets presentation by the assessment categories for the reporting period

(Thousands of hryvnias)

Line	item	Credits and receivables	Assets available for sale	Financial assets accounted at fair price with representation of revaluation through profit/loss		Investments held to maturity	total
				Trading assets	assets accounted at fair price through profit or loss		
1	2	3	4	5	6	7	8
	ASSETS						
1	Cash and cash equivalents	347 893	-	-	-	-	347 893
2	Trading securities	-	-	-	-	-	-
3	Due from other banks:	185 649	-	-	-	-	185 649
3.1	Deposits in other banks	98 053	-	-	-	-	98 053
3.2	Credits granted to other banks	87 596	-	-	-	-	87 596
4	Loans and debts of clients	1 736 955	-	-	-	-	1 736 955
4.1	Loans to legal entities	1 699 343	-	-	-	-	1 699 343
4.2	Loans to individual entrepreneurs	13 643	-	-	-	-	13 643
4.3	Mortgage credits of individuals	1 145	-	-	-	-	1 145
4.4	Credits granted to individuals for current needs	21 274	-	-	-	-	21 274
4.5	Other credits to individuals	1 550	-	-	-	-	1 550
5	Securities held-to-maturity in the Bank portfolio	-	-	-	-	-	-
6	Securities available for sale in the Bank portfolio	-	180	-	-	-	180

7	Other financial assets:	4 243	-	2 247	-	-	6 490
7.1	Derivatives in Bank's trading portfolio	-	-	2 247	-	-	2 247
7.2	Restricted cash	4 202	-	-	-	-	4 202
7.3	Other financial assets	41	-	-	-	-	41
8	Financial assets total	2 274 740	180	2 247	-	-	2 277 167

Table 36.2. Financial assets presentation by the assessment categories for the previous period.

(Thousands of hryvnias)

Line	item	Credits and receivables	Assets available for sale	Financial assets accounted at fair price with representation of revaluation through profit/loss		Investments held to maturity	total
				Trading assets	assets accounted at fair price through profit or loss		
1	2	3	4	5	6	7	8
	ASSETS						
1	Cash and cash equivalents	330 380	-	-	-	-	330 380
2	Trading securities	-	-	15 540	-	-	15 540
3	Due from other banks:	150 793	-	-	-	-	150 793
3.1	Credits granted to other banks	150 793	-	-	-	-	150 793
4	Loans and debts of clients	1 604 085	-	-	-	-	1 604 085
4.1	Loans to legal entities	1 574 570	-	-	-	-	1 574 570
4.2	Loans to individual entrepreneurs	7 002	-	-	-	-	7 002
4.3	Mortgage credits of individuals	1 506	-	-	-	-	1 506
4.4	Credits granted to individuals for current needs	20 637	-	-	-	-	20 637
4.5	Other credits to individuals	370	-	-	-	-	370
5	Securities held-to-maturity in the Bank portfolio	-	-	-	-	17 451	17 451
6	Other financial assets:	3 504	-	-	-	-	3 504
6.1	Restricted cash	2 318	-	-	-	-	2 318
6.2	other financial assets	1 186	-	-	-	-	1186
7	Financial assets total	2 088 762	-	15 540	-	17 451	2 121 753

Table 36.3. Financial liabilities accounted at amortized value

(Thousands of hryvnias)

Line	Item	Reporting period	Previous period
1	Due to banks	260 117	255 042
1.1	Correspondent accounts and overnight deposits of other banks	30 253	59 168
1.2	deposits of other banks	99 547	47 958
1.3	Received loans	130 317	147 916
2	Due to clients	1 724 352	1 599 458
2.1	Other legal entities	824 029	637 146
2.2	individuals	900 323	962 312
3	Other attracted funds:	16 523	640
3.1	Loans received from international and other financial organizations	16 523	640
4	Other financial liabilities	123	772
4.1	Securities receivables	25	285
4.2	Other financial liabilities	98	487
5	**Financial liabilities accounted at amortized value total**	**2 001 115**	**1 855 912**

Note 37. Related party transactions

Table 37.1. Remains on transactions with related parties as for the end of reporting period

(Thousands of hryvnias)

Line	Item	The biggest participants (shareholders) of the Bank	Leading management staff	Other related parties
1	2	3	4	5
1	Credits and accounts payable of clients (contractual interest rate is 14 -18 %)	878	141	11 678
2	Provisions on accounts payable as for December 31	-	1	169
3	Due to clients (contractual interest rate is 1 -20 %)	45 730	8 420	1 570
4	Provisions on liabilities		2	

Table 37.2. Income and expanses on transactions with related parties as for reporting period

(Thousands of hryvnias)

Line	Item	The biggest participants (shareholders) of the Bank	Leading management staff	Other related parties
1	Interest income	7	28	1 681
2	Interest expenses	19 743	667	511
3	Dividends	2 473	-	-
4	Commission income	7	2	41
5	Charges to provision for impairment of loans and due from other banks	-	7	-

Table 37.3. Other rights and liabilities on transactions with related parties as for the end of reporting period

(Thousands of hryvnias)

Line	Item	The biggest participants (shareholders) of the Bank	Leading management staff	Other related parties
1	2	3	4	5
1	Other loan liabilities	622	130	2

Table 37.4. Total amount of credits granted to related parties and paid by the related parties during the reporting period

(Thousands of hryvnias)

Line	Item	The biggest participants (shareholders) of the Bank	Leading management staff	Other related parties
1	2	3	4	5
1	Amount of credits granted to related parties during the period	878	-	-
2	Amount of credits paid by related parties during the period	-	242	330

Table 37.5. Remains on transactions with related parties as for the end of previous period

(Thousands of hryvnias)

Line	Item	The biggest participants (shareholders) of the Bank	Leading management staff	Other related parties
1	2	3	4	5
1	Credits and accounts payable of clients (contractual interest rate is 14-20%)	-	383	12 008
2	Reserve on accounts payable as for December 31	-	2	-
3	Due to clients (contractual interest rate is 1 -21 %)	209 087	4 133	13 712
4	Provisions on liabilities		0,4	

Table 37.6. Income and expanses on transactions with related parties as for previous period

(Thousands of hryvnias)

Line	Item	The biggest participants (shareholders) of the Bank	Leading management staff	Other related parties
1	2	3	4	5
1	Interest income	-	37	1 510
2	Interest expenses	9 755	221	1 412
3	Dividends	2 030	-	-
4	Commission income	7	2	32
5	Charges to provision on impairment of loans and due from other banks	-	2	-

Table 37.7. Other rights and liabilities on transactions with related parties as for the end of previous period

(Thousands of hryvnias)

Line	Item	Leading management staff	Other related parties
1	2	3	4
1	Other credit liabilities	18	337

Table 37.8. Total amount of credits granted to related parties and paid by the related parties during the previous period

(Thousands of hryvnias)

Line	Item	The biggest participants (shareholders) of the Bank	Leading management staff	Other related parties
1	2	7	8	9
1	Amount of credits granted to related parties during the period	-	383	11 979
2	Amount of credits paid by related parties during the period	2258	-	5 275

Table 37.9. Benefits to leading management staff

(Thousands of hryvnias)

Line	Item	Reporting period		Previous period	
		expenses	Accounted liability	expenses	Accounted liability
1	2	3	4	5	6
1	Current employee benefits	5 285	5 285	4 713	4 713
2	Retirement benefits	-	-	22	22

Note 38. Fiduciary accounts

(Thousands of hryvnias)

Line	Item	Reporting period	Previous period	Changes (+; -)
1	2	3	4	5
1	Current accounts of the fiduciary bank of the fiduciary management	3 227	-	3 227
2	Receivables on fiduciary transactions	17 409	-	17 409
3	Active fiduciary management accounts total	20 636	-	20 636
4	Bank management funds	20 310	-	20 310
5	Fiduciary transactions income	326	-	326
6	Passive fiduciary management accounts total	20 636	-	20 636