

**JOINT STOCK BANK  
“KYIVSKA RUS”**

**Financial statements  
As at 31<sup>st</sup> December 2008**

**Together with Independent Auditor’s Report**



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## **Message from the Chairman of the Managing Board**

2008 represented a year of a real challenge and trial for the banking system both in Ukraine and in the whole world. However, BKR has strengthened its position in advance amongst the leading Ukrainian banks of the third group. BKR assets rose by 69%, up to UAH 4.17 billion, compared to the overall systemic increase by 55%. As of December 31, 2008 BKR was 39-th in the total assets ranking amongst the Ukrainian banks. As of January 01, 2009 BKR was 26-th in the retail deposits ranking.

Corporate banking has been the traditional strength of BKR and is of vital importance to the Bank's ongoing success, with increase in corporate lending, up by more than 64% in 2008 to over UAH 2.3 billion. Whilst maintaining its traditional vigour in corporate banking, BKR expanded the range of its goods and services in the retail market. It was reflected in the substantial increase in retail lending, up by more than 65% to over UAH 780 mln. Attracted funds from retail customers rose by 86% to over UAH 1.9 billion.

BKR has started working with precious metals. The Bank's clients have an opportunity to buy gold bullions of the highest quality (24-carat gold).

Business with payment cards has been flourishing as well. The number of business cards issued by the Bank under the MasterCard brand rose by 62%. The number of ATMs rose by 35% and the number of POS-terminals increased by 41%. BKR has started emission of payment cards of VISA International payment system.

The branch network enables BKR to render its services throughout Ukraine. The branch network has been developed significantly. Now with 136 (2007: 107) outlets in 20 regions of Ukraine (2007: 13), the focus of management remains on the maximising efficiency.

The Bank enlarged its staff training programmes in 2008 and facilitated an ever-growing number of staff to broaden their professional education.

In 2008, apart from enhancing the Bank's business operations, the Managing Board devoted great efforts to the introduction of the new information technology systems. Call centre, being organized on the basis of the Bank's information centre, has been finally opened.

BKR also recognises its wider role in society. BKR provides financial assistance to children's charities and takes part in a charitable programme: - assistance to victims of natural disaster in the western regions of Ukraine. BKR is a partner for the Kyiv "Lokomotiv" volleyball team.

In the current situation BKR makes every effort to:

- keep the volume of transactions and a high income level;
- maintain liquidity at the sufficient level.

Finally, we are grateful to our shareholders for their contribution to the Bank and for their commitment to its development. The success of BKR over twelve years is a testimony to the efforts, devotion, and goodwill of all its shareholders. To our clients, our staff, our shareholders, my fellow members of the Management Board, and to Ukraine – heartfelt thanks.

Mr Viktor Bratko  
Chairman of the Managing Board  
JSB Kyivska Rus  
Kyiv, April 2009

## Independent Auditor's Report

### To the shareholders of Joint Stock Bank "Kyivska Rus"

We have audited the accompanying financial statements of Joint Stock Bank "Kyivska Rus", Kiev, Ukraine ("BKR" or the "Bank") comprising the balance sheet as at 31<sup>st</sup> December 2008, and for the period then ended, income statement, statement of changes in equity, statement of cash flows, significant accounting policies, and other explanatory notes.

#### Directors' responsibility for the financial statements

The Directors of the Bank are responsible for the preparation and fair presentation of the accompanying financial statements in accordance with International Financial Reporting Standards ("IFRS"). Directors' responsibilities include: designing; implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements so that they are free from material mis-statements (whether due to fraud or error); selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances of the Bank's business and operating environment.

#### 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 International Auditing Standards ("IAS"). Those standards require that we comply with relevant ethical requirements, and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material mis-statement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls 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 controls. 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 Joint Stock Bank "Kyivska Rus" as at 31<sup>st</sup> December 2008, and its financial results and cash flows for the year then ended in accordance with IFRS.

## Emphasis of matter

Without further qualifying our opinion we would like to draw your attention to the disclosures made in Note 2 to these financial statements concerning the Bank's ability to continue as a going concern. These conditions indicate the uncertainty, which might affect the Bank's ability to continue its operating activities in the future. These financial statements do not include any adjustments that would result if the Bank was unable to continue as a going concern.

Kyiv, 31<sup>th</sup> March 2009



BDO Balance-Audit

**Statement of responsibility for preparation and approval of financial statements for the year ended 31<sup>th</sup> December 2008**

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 Joint Stock Bank "Kyivska Rus".

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<sup>th</sup> December 2008 and results of activities and cash flows year ended 31<sup>th</sup> December 2008, 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 Company 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.

These financial statements for the year ended 31<sup>th</sup> December 2008 were approved and signed on behalf of the Bank by:

Chairman of the Board



/Viktor Bratko/

Chief accountant

/Irina Gnatenko/

31<sup>th</sup> March 2009

**JOINT STOCK BANK "KYIVSKA RUS"**  
**Balance sheet as at 31<sup>st</sup> December 2008**  
*(UAH thousands)*

**Balance sheet as at 31<sup>st</sup> December 2008**

	Notes	2008	2007
<b>Assets</b>			
Cash and cash equivalents	5	478,863	295,437
Loans and advances to banks	6	546,959	227,946
Loans and advances to customers	7	2,961,924	1,799,947
Securities available-for-sale	8	5,893	9,623
Investment property	9	5,953	-
Property, equipment and intangible assets	10	157,519	125,193
Current tax assets		194	-
Other assets	11	6,596	3,261
		<b>4,163,901</b>	<b>2,461,407</b>
<b>Liabilities</b>			
Deposits from banks	12	1,195,317	387,563
Deposits from customers	13	2,574,105	1,832,840
Debt securities issued	14	1,745	2,755
Current tax liabilities		-	1,354
Deferred tax liabilities	15	19,150	16,155
Subordinated liabilities	16	-	21,083
Other liabilities	17	6,628	4,124
		<b>3,796,945</b>	<b>2,265,874</b>
<b>Equity</b>			
Share capital	18	282,194	132,194
Revaluation reserves		68,758	50,054
Retained earnings		16,004	13,285
		<b>366,956</b>	<b>195,533</b>
<b>Total liabilities and equity</b>		<b>4,163,901</b>	<b>2,461,407</b>

Chairman of the Managing Board



/Viktor Bratko/

Chief accountant

/Irina Gnatenko/

**JOINT STOCK BANK "KYIVSKA RUS"**  
**Income statement for the year ended 31<sup>st</sup> December 2008**  
*(UAH thousands)*

**Income statement for the year ended 31<sup>st</sup> December 2008**

	Notes	2008	2007
Interest income	19	500,446	227,630
Interest expenses	19	(344,002)	(133,323)
<b>Net interest income</b>		<b>156,444</b>	<b>94,307</b>
Net fee and commission income	20	50,687	28,838
Net trading income from foreign currency transactions	21	55,343	14,208
Other operating income	22	5,239	3,878
<b>Operating income</b>		<b>267,713</b>	<b>141,231</b>
Staff costs	23	(102,008)	(52,810)
Depreciation and amortization	10	(12,860)	(6,724)
Other operating and administrative expenses	24	(78,503)	(39,811)
Impairment of loans	25	(66,797)	(30,185)
Profit/(loss) from initial recognition of financial instruments		(813)	627
Other provisions	26	(923)	(117)
<b>Profit before taxation</b>		<b>5,809</b>	<b>12,211</b>
Income tax	27	(3,090)	(5,337)
<b>Net profit for the period</b>		<b>2,719</b>	<b>6,874</b>
<b>Basic and diluted earnings per share</b> <b>(in UAH per share)</b>	28	<b>0.17</b>	<b>1.09</b>

Chairman of the Managing Board



/Viktor Bratko/

Chief accountant

/Irina Gnatenko/

**JOINT STOCK BANK "KYIVSKA RUS"**  
**Statement of cash flows for the year ended 31<sup>st</sup> December 2008**  
*(UAH thousands)*

**Statement of changes in equity for the year ended 31<sup>st</sup> December 2008**

	Share capital	Revaluation reserve	Retained earnings	Total equity
<b>Balance as at 31<sup>st</sup> December 2006</b>	<b>56,444</b>	<b>27,963</b>	<b>6,869</b>	<b>91,276</b>
Net result of current year	-	-	6,874	6,874
Deferred taxes on revaluation of property and equipment	-	(7,370)	-	(7,370)
Fixed assets revaluation	-	29,639	-	29,639
Write-off of revalued fixed assets	-	(163)	163	-
Securities revaluation	-	(15)	-	(15)
Issue of shares	75,750	-	-	75,750
Purchase or sale of own shares	-	-	(621)	(621)
<b>Balance as at 31<sup>st</sup> December 2007</b>	<b>132,194</b>	<b>50,054</b>	<b>13,285</b>	<b>195,533</b>
Net result of current year	-	-	2,719	2,719
Deferred taxes on revaluation of property and equipment	-	(6,236)	-	(6,236)
Fixed assets revaluation	-	24,940	-	24,940
Issue of shares	150,000	-	-	150,000
<b>Balance as at 31<sup>st</sup> December 2008</b>	<b>282,194</b>	<b>68,758</b>	<b>16,004</b>	<b>366,956</b>

Chairman of the Managing Board



/Viktor Bratko/

Chief accountant

/Irina Gnatenko/

**JOINT STOCK BANK "KYIVSKA RUS"**  
**Statement of cash flows for the year ended 31<sup>st</sup> December 2008**  
*(UAH thousands)*

**Statement of cash flows for the year ended 31<sup>st</sup> December 2008**

	2008	2007
<b>Cash flow from operating activities</b>		
Interest received	474,748	208,364
Interest paid	(335,070)	(127,318)
Net income from trade foreign currency and securities transactions	55,343	14,208
Commission income	50,687	28,838
Other operating income	5,239	3,878
Salary and related expenses	(104,805)	(50,012)
Other operating and administrative expenses	(75,706)	(39,811)
<b>Operating cash flow before changes in operating assets and liabilities</b>	<b>70,436</b>	<b>38,147</b>
(Increase) / decrease in operating assets:		
Due from other banks	(319,811)	(94,116)
Loans and advances to customers	(1,203,100)	(1,150,067)
Securities available for sale	3,730	6,600
Other assets	(3,329)	(1,127)
Increase / (decrease) in operating liabilities:		
Due to other banks	807,730	172,162
Due to clients	732,470	1,184,646
Other liabilities	1,501	529
<b>Cash inflow from operating activities</b>	<b>89,627</b>	<b>156,774</b>
Income tax paid	(7,879)	(3,770)
<b>Net cash inflow from operating activities</b>	<b>81,748</b>	<b>153,004</b>
<b>Cash flow from investment activities</b>		
Acquisition of investment property	(5,953)	-
Acquisition of fixed assets	(20,246)	(31,897)
<b>Net cash used for investments activities</b>	<b>(26,199)</b>	<b>(31,897)</b>
<b>Cash flow from financing activity</b>		
Inflow from issue of share capital	150,000	75,750
Acquisition or sale of own shares	-	(621)
Issue of subordinated debt	(21,083)	6,000
(Decrease) / increase in debt securities issued	(1,005)	(4,110)
<b>Net cash inflow from financing activities</b>	<b>127,912</b>	<b>77,019</b>
<b>Net changes in cash and cash equivalents</b>	<b>183,461</b>	<b>198,126</b>
<b>Cash and cash equivalents at the beginning of the year before provision for impairment (Note 5)</b>	<b>295,446</b>	<b>97,320</b>
<b>Cash and cash equivalents at the end of the year before provision for impairment (Note 5)</b>	<b>478,907</b>	<b>295,446</b>

Chairman of the Managing Board

/Viktor Bratko/

Chief accountant

/Irina Gnatenko/



## **JOINT STOCK BANK “KYIVSKA RUS”**

**Notes to the financial statements for the year ended 31<sup>st</sup> December 2008**

*(UAH thousands)*

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### **Notes to the financial statements**

#### **1. General information about the Bank**

Joint Stock Bank “Kyivska Rus” was registered on 30<sup>th</sup> May 1996 as a Closed Joint Stock Company. The Bank holds licence number 19 issued by the National Bank of Ukraine (“NBU”) and is dated 14<sup>th</sup> January 2002.

The Bank operates as an inter-regional bank within Ukraine. It is a full service bank which offers its clients a complete range of banking services. The NBU licence permits the Bank to undertake almost all banking transactions.

The principal strategic objectives of the Bank are both corporate and retail client acquisition, growth in transaction volumes compatible with the Bank’s risk parameters, and the development and implementation of new products and services.

The Bank operates through its Head office in Kyiv, as well as 10 branches and 126 outlets (2007: 13 branches and 94 outlets).

Both directly and indirectly, Sharp Arrow Holdings Limited owns 51 % of the Bank’s statutory capital.

#### **2. Background of activities**

At the date of the financial statements approval the Bank operates under instable circumstances related to the world economical crisis. Improvement of economical situation in Ukraine will, to significant extent, depend upon effectiveness of fiscal and other measures undertaken by the government of Ukraine. At the same time there is no clear understanding which measures are to be taken by the government of Ukraine in order to overcome the crisis. Therefore, it is not possible to fairly assess its effect to the Bank’s liquidity and income, stability and structure of her transactions with the consumers. Given factors signify on uncertainty, which might affect the possibility to refund the value of her assets and ability to serve and pay off her debts as they mature. Given financial statements reflects current management estimation of possible effect of the economical conditions to operating activities and financial position of the Bank. Future conditions might differ from the management estimations. These financial statements do not include any adjustments that would result under such uncertainty. Such adjustments shall be addressed when become known and can be reliably assessed.

#### **3. Basis of preparation**

##### *Statement of compliance*

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

##### *Historical cost*

The financial statements are prepared on the historical cost basis except for financial assets available-for-sale, which are stated at fair value, and buildings, which are stated at revalued amount less accumulated depreciation and impairment losses.

## **JOINT STOCK BANK “KYIVSKA RUS”**

**Notes to the financial statements for the year ended 31<sup>st</sup> December 2008**

*(UAH thousands)*

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### ***Hyperinflationary accounting***

Ukraine was classified as a country with a hyperinflationary economy during the 10 years ended 31<sup>st</sup> December 2000. IAS 29 “*Financial reporting in hyperinflationary economies*” requires the recalculation of the value of non-monetary items during the period of hyperinflation using the consumer price index. The Bank’s accounting records, and the financial statements, reflect such recalculations.

### ***Functional and presentation currency***

The financial statements, and the following notes to the financial statements, are presented in Ukrainian Hryvnya, which is the Bank’s functional currency. Except as indicated, financial information presented in Ukrainian Hryvnya has been rounded to the nearest thousand (000’UAH).

### ***Accounting estimates and judgments in applying accounting policies***

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Although these estimates are based on management’s best knowledge of current events and actions, actual results ultimately may differ from these estimates.

In particular, information about significant areas of estimation uncertainty is as follows:

#### *(i) Impairment of loans and advances.*

Management estimates impairment by assessing the likelihood of repayment of loans and advances based on analysis of individual accounts for individually significant loans, and collectively for loans with similar terms and risk characteristics. Factors taken into consideration when assessing individual loans include collection history, current financial condition of the borrower, timeliness of repayments and collateral, if any. To determine the amount of impairment, management estimates the amounts and timing of future payments of principal and interest and proceeds from the disposal of collateral, if any. These cash flows are then discounted using the loan’s original interest rate. Actual principal and interest payments depend on the borrowers’ ability to generate cash flows from operations or obtain alternative financing, and could differ from management’s estimates.

Factors taken in consideration when estimating impairment on loans assessed collectively include historical loss experience, portfolio delinquency rates and overall economic condition.

Note 7 include a information on sensitivity of the carrying amount of loans and advances and amounts of recognized provisions to impairment. If the actual repayments were less than the management estimates, the Bank would be required to record additional impairment expense.

#### *(ii) Fair value of securities available-for-sale.*

The fair value of securities available-for-sale represents the price at which a transaction would occur at the balance sheet date in that instrument in the most advantageous active market to which the Bank has immediate access. In estimating the fair value for financial assets, management uses quoted bid prices from an active market. If a financial asset is not quoted in an active market, management uses discounted cash flow techniques. When using discounting cash flow techniques management applies discount rates applicable to similar instruments and to issuers with similar credit risk.

#### **4. Summary of significant accounting policies**

##### ***Standards applied***

On the whole, the accounting policies adopted are consistent with those of the previous financial year. Certain new IFRSs became effective for the Group from 1 January 2007. Listed below are those new or amended standards or interpretations

which are or in the future could be relevant to the Bank's operations:

Interpretation 11 “*IFRS 2 - Group and Treasury Share Transactions*”; effective 1<sup>st</sup> March 2007 and will be adopted by the Bank beginning 1<sup>st</sup> January 2008

Interpretation 12 “*Service Concession Arrangement*”; effective 1<sup>st</sup> January 2008

Interpretation 14 “*IAS 19 – The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction*”; effective 1<sup>st</sup> January 2008

Reclassification of financial instruments – Amendments to IFRS (IAS) 39 «*Financial instruments: Recognition and assessment*». Given amendments can be used retrospectively beginning from July 1, 2008 for any reclassifications taken place up to November 1, 2008. Any reclassifications of financial assets made during the year beginning from November 1, 2008 or after that date come into force only from the date of given reclassification.

In the opinion of the Bank’s management, application of the above regulations will not have a material impact upon the Bank’s financial statements once adopted or during the early years of adoption.

##### ***Foreign currency transactions***

Transactions in foreign currencies are translated to the functional currency of the Bank at exchange rates on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate on that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate on the date that the fair value was determined.

As at 31 December 2008 and 2007 the principal exchange rates at the year end determined by the NBU and applied to recalculation into Ukrainian Hryvnya for balances in foreign currencies were as follows:

	<b>2008</b>	2007
US dollar	<b>7.700</b>	5.050
Euro	<b>10.856</b>	7.419
Russian rouble (per 10 roubles)	<b>0.262</b>	0.206

##### ***Cash and cash equivalents***

Cash and cash equivalents include cash-in-hand, balances held by the Bank at the NBU and in current accounts with correspondent banks. All short-term inter-bank deposits, including the overnight ones, are reported as cash with other banks. Funds with limitation of use for over three months at the moment of issue are excluded from cash and cash equivalents caption.

## **JOINT STOCK BANK “KYIVSKA RUS”**

**Notes to the financial statements for the year ended 31<sup>st</sup> December 2008**

*(UAH thousands)*

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The Bank is obliged to keep an obligatory current balance with the NBU for liquidity management purposes and to ensure the fulfillment of its commitments to the clients. Cash in NBU accounts is carried at amortized cost. Cash balances held in correspondent accounts with other banks are reported at amortized cost less provisions for possible losses related to this type of asset.

### ***Financial assets***

The Bank classifies its financial assets in the following categories:

- (i) financial assets at fair value through profit or loss;
- (ii) loans of clients;
- (iii) financial assets held to maturity;
- (iv) financial assets available for sale

The Bank determines the classification of its financial assets at initial recognition. Classification of financial assets at initial recognition depends on the purpose for which they were acquired and their characteristics.

In the course of application of the Bank's accounting policy with respect to definition of financial assets recognized in the financial statements, the management used judgments and estimates the most significant of which are presented below.

### ***Initial recognition of financial instruments***

The Bank recognizes financial assets and liabilities on its balance sheet when it becomes a party to the contractual obligation of the instrument. Regular way purchase and sale of the financial assets and liabilities are recognized using trade date accounting.

Financial assets and liabilities are initially recognized at cost, which is the fair value of the consideration given. Transaction costs that are directly attributable to the acquisition or issue of a financial asset or liability that is not classified as at fair value through profit or loss are added to the amount initially recognised.

### ***Fair value measurement***

If quoted market prices are not available, the fair value of financial assets and liabilities recorded in the balance sheet is estimated using various techniques, including mathematical models. Where mathematical models are used, inputs are based on observable market data, where possible. Otherwise, the fair value should be determined using the management's best estimate based on liquidity considerations and data used for models? Such as correlation and volatility of long-term financial derivative instruments.

### ***Derecognition of financial assets***

- Financial assets (or, where applicable, a part of a financial assets or a part of a group of similar financial assets) is derecognised where:
  - the rights to receive cash flows from the asset have expired;
  - the Bank has transferred its rights to receive cash flows the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party; and
  - the Bank either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. If the transferee has no practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the transfer, the entity has retained control.

## **JOINT STOCK BANK “KYIVSKA RUS”**

### **Notes to the financial statements for the year ended 31<sup>st</sup> December 2008**

*(UAH thousands)*

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Where the Bank has transferred its rights to receive cash flows from an asset, and has neither transferred, nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement, that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration, that the Bank p could be required to repay.

#### ***Loans to customers***

This category includes non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the entity intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
- those that the entity upon initial recognition designates as available for sale;
- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available for sale.

Loans to customers are initially recorded at cost, which is the fair value of the consideration given. Subsequently, they are carried at amortised cost using the effective interest rate method less provision for loan impairment. The amortised cost is based on fair value of the issued loan, calculated with respect to market interest rate on similar loans active as at the date of the loan issue.

Loans to customers are recorded when cash is advanced to borrowers.

#### ***Loans in other banks***

The Bank accepts the accounting policy applicable to the loans issued to customers and the provision for loan impairment as applicable to funds of the Bank deposited in other banks.

#### ***Financial assets available for sale***

Financial assets available for sale are non-derivative financial assets that are classified as investment securities which management intend to hold for an indefinite period of time, that may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. The Bank's management determined the appropriate classification of financial assets at the time of purchase.

Financial assets available for sale are initially recognized at cost, which is the fair value of consideration given. Transaction cost that are directly attributable to the acquisition of a financial asset are added to the amount initially recognised. Financial assets, available for sale are subsequently remeasured to fair value, based on quoted bid prices. Certain financial assets available for sale for which there is no available independent quotation have been fair valued by the Bank's management on the basis of results of recent sales of similar financial assets to unrelated third parties, consideration of other relevant information such as discounted cash flows and data of investees and application of other valuation methodologies.

Unrealised gains and losses arising from changes in the fair value of financial assets available for sale are recognised in the consolidated statement of changes in equity. When financial assets available for sale are disposed of, the related accumulated unreleased gains and losses are included in the consolidated statement of income as gains less losses arising from financial assets at fair value through profit or loss and available for sale. Impairment of previously remeasured assets is reported on equity accounts within the revaluation reserve for financial assets available for sale which was set up earlier.

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Interest earned on debt securities available for sale is determined using the effective interest method and reflected in the consolidated statement of income as interest income. Dividends received on equity investments available for sale are recorded within dividends received when the Bank's right to receive dividends is established and dividends are likely to be received.

#### ***Promissory notes purchased***

Promissory notes purchased are included in financial assets at fair value through profit or loss, financial assets available for sale, due from other banks or loans to customers, depending on their economic substance and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

#### ***Impairment of financial assets***

The Group assesses on each reporting date whether there is any objective evidence that the value of a financial asset item or group of items has been impaired. Impairment losses are recognized in the consolidated statement of income as they are incurred as a result of one or more events that occurred after the initial recognition of the asset (a loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If an entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

##### *(1) Impairment of Due from other banks and Loans to customers*

For amounts Due from other banks and Loans to customers carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant or collectively for financial assets that are not individually significant.

Objective evidence that due from other banks and loans to customers are impaired includes observable data that comes to the attention of the Group about one or more of the following events:

- default in any payments due;
- significant financial difficulty of the borrower supported by financial information at the Group's disposal;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- worsening national or local economic environment affecting the borrower;
- breach of contract, such as a default or delinquency in interest or principal payments;
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider.

If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, *it* includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Bank's internal grading system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors. The characteristics chosen are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

## JOINT STOCK BANK “KYIVSKA RUS”

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The main criterion used for determining objective evidence of loss from impairment of due from other banks and customer accounts representing collectively measured financial assets is availability of observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group. Such information may include adverse changes in the payment status of borrowers in the group (for example, an increased number of delayed payments or an increased number of credit card borrowers who have reached their credit limit and are paying the minimum monthly amount), national or local economic conditions that correlate with defaults on the assets in the group (for example, an increased in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, a decrease in oil prices for loan assets to oil producers, or adverse changes in industry conditions that affect the borrowers in the group).

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of the provision account and the amount of the loss is recognized in the consolidated statement of income.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralized asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group or on the basis historical information on collections of past due debts. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in the future cash flows reflect, and are discretionally consistent with, changes in related observable data from year to year (such as, changes in unemployment rate, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between estimated losses and actual loss experience.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss.

Uncollectible assets are written off against the related allowance for impairment after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. The carrying value of impaired financial assets is not reduced directly.

#### *(2) Impairment of financial assets available for sale*

The Group assesses at each balance sheet date whether there is objective evidence that an investment or a group of investments available for sale is impaired.

In case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost This determination of what is significant or prolonged requires judgment According to the Group, a 20% decrease in the fair value of the financial asset below its cost is a significant decline and decrease in the financial asset's value for over 6 months is a prolonged decline In making this judgment, the Group evaluates among other factors, the volatility in share price. Cumulative loss is measured as a difference

between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of income transfer from equity to the statement of income.

Impairment losses on equity investments are not reversed through the statement of income: increases in the fair value after impairment are recognized directly in equity. If in subsequent periods the fair value of a debt instrument classified as available for sale increases, and such increase can be objectively rated to the event occurring after the impairment loss was recognized in the statement of income, the impairment loss is reversed through the profit and loss accounts of the current period.

### ***Financial liabilities***

Financial liabilities are classified as either financial liabilities at fair value through profit or loss, or financial liabilities carried at amortised cost.

Initially, a financial liability is measured by the Group at its fair value, and in the case of financial liability not at fair value through or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

### ***Financial liabilities measured at amortised cost***

Financial liabilities carried at amortised cost include due to other banks, customer accounts, debt securities issued. Any related expense is recognized as interest expense using the effective interest rate method.

*Due to other banks.* Due to other banks are recorded when money or other assets are advanced to the Group by other banks.

*Customer accounts.* Customer accounts include non-derivative liabilities to individuals, state or corporate customers.

*Debt securities issued.* Debt securities issued include promissory notes, bonds and certificates of deposit issued by the Group. If the Group purchases its own debt securities issued, they are removed from the consolidated balance sheet and the difference between the carrying amount of the liability and the consideration paid is recognised as gains arising from early retirement of debt.

*Subordinated debt.* Subordinated debt includes the agreements on long-term loans, which in the event of insolvency will become secondary regarding to its basic debt liabilities. Subordinated debt is initially measured at fair value less transaction costs, and subsequently measured at amortized cost at that any difference between its value and purchasing value is recognized through the income statement using the effective interest method.

### ***Offsetting of financial instruments***

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

***Property and equipment and intangible assets***

Property, equipment and intangible assets, except for revalued buildings, are carried at acquisition cost less accumulated depreciation and accumulated impairment losses.

The original cost of fixed assets on the date of transition to IFRS (i.e. 1st January 2005) is regarded as the cost under IAS accounting.

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful life of an asset. Estimated useful lives of assets are determined by the Bank to reflect the period over which assets will be used in the course of its business.

Capitalised lease costs are amortised over the estimated useful lives of the leased assets not exceeding a respective lease period.

The estimated useful lives of intangible assets, property and equipment, in years, are as follows:

Buildings for own use	50
Vehicles	7
Equipment and computers	4
Furniture and office equipment	4
Other	4-10
Intangible assets	4-10

Depreciation methods, useful lives, and residual values are reassessed on the reporting date.

Capital investments in fixed assets include construction in progress and incomplete improvement expenses. They are accounted for at historical cost net of any accumulated impairment losses. Upon the completion of construction the assets are transferred to property and equipment and recognised at the carrying amount when transferred. Depreciation is not accrued on capital investments.

Costs of fixed assets' repairs are reported in the income statement in the period that they are incurred, except for the cases when these costs are capitalised.

***Taxation***

Current income tax is determined in accordance with Ukrainian tax legislation. Income tax expense in the financial statements comprises current tax and changes in deferred tax liabilities.

Income tax expense is recognised in the income statement, except to the extent that it relates to items recognised directly through reserves, in which case it is recognised through reserves.

Deferred tax is provided using the balance sheet method, providing for temporary differences that arise between the tax base of assets and liabilities and their carrying amounts used for financial reporting purposes. Deferred tax assets are recognised to the extent there is a probability of receiving taxable income in the future against which recognised deferred tax assets will be utilised.

Deferred tax assets and liabilities are provided using tax rates enacted in the period when the respective asset is realised, or the liability is settled, based on regulations in force on the reporting date.

Indirect Ukrainian taxes accrued and paid by the Bank in the normal course of business under effective legislation are included in administrative and other operating expenses in the income statement.

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***Pension and other commitments***

The Bank contributes to the state pension system of Ukraine. Current accruals and payment of such contributions on behalf of employees are calculated based on total salary. Contribution expenses are expensed in the income statement in the period that a respective salary is accrued by an employee.

The Bank does not operate any other form of pension schemes. Furthermore, the Bank does not have any additional employee benefit programmes, or other compensation programmes, that require additional expenses or accrual in the financial statements.

***Operating lease***

When the Bank acts as the tenant, the amount of payments under the operating lease agreement is reported by the tenant in the income statement using the straight-line method throughout the lease period.

If operating lease is terminated prior to expiration of the lease period, any penalties due to the lessor are reported as expenses for the period when such lease was terminated.

***Share capital***

Share capital is stated at cost, adjusted for hyperinflation. Issues of share capital are measured at fair value on the transaction date. Own equity instruments which are reacquired (treasury shares) are deducted from share capital. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Bank's own equity instruments.

Dividends to shares are recognized in equity as deduction in the period when declared. Dividends declared after the balance-sheet date are disclosed in the notes to the financial statements.

***Contingent assets and liabilities***

Contingent assets are not recognised in the consolidated balance sheet but disclosed when an inflow of economic benefits is probable.

Contingent liabilities are not recognised in the consolidated balance sheet but are disclosed unless the possibility of any outflow in settlement is remote.

***Credit related commitments***

During the ordinary activities the Bank issues guarantees in kind of letters of credit, guarantees and accepts. Guarantee agreements are initially recognized in the financial statements at their fair value. Subsequently, at each balance sheet date, the commitments are reviewed and revised to obtain the current best estimate. The current best estimate of expenditure required to settle the existing commitment will be the amount that the Bank would either pay to settle the commitment at the balance sheet data or transfer to a third party at this date.

***Provisions***

Provisions are accrued when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

## **JOINT STOCK BANK “KYIVSKA RUS”**

**Notes to the financial statements for the year ended 31<sup>st</sup> December 2008**

*(UAH thousands)*

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### ***Interest income and expense***

Interest income and expense are recognised in the income statement using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset or liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and amounts paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income includes coupons earned on fixed-income financial assets and accrued discount and premium on promissory notes and other discounted instruments. When loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

Commissions and fees arising from negotiating a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, are recorded on completion of the transaction in the consolidated statement of income. Investment portfolio and other management and advisory service fees are recognised based on the applicable service contracts.

### ***Reclassification***

Comparative data for 2007 in these financial statements includes some reclassifications in order to bring them in to conformity with the 2008 reporting presentation format.

### ***Earnings per share***

The Bank presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which may include the issuance of new shares.

### ***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:

IAS 1 (Revised) «*Presentation of Financial Statements*». The revised Standard was issued in September 2007 and becomes effective for financial years beginning on or after 1 January 2009;

Amendments to IAS 23 “*Borrowing costs*”; effective 1<sup>st</sup> January 2009;

IFRS 2 «*Share based payments*» revised in 2008 (become effective for annual reporting periods beginning from January 1, 2009 or after that date).

IFRS 3R “*Business Combinations*” and IAS 27R “*Consolidated and Separate Financial Statements*”. The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009;

IFRS 8 “*Operating segments*”; effective 1<sup>st</sup> January 2009;

Interpretation 13 “*Customer Loyalty Programmes*”; effective 1<sup>st</sup> July 2008;

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IFRIC 15 “*Agreement for the Construction of Real Estate*”. IFRIC 15 was issued in July 2008 and becomes effective for financial years beginning on or after 1 January 2009.

IFRIC 16 “*Hedges of a Net Investment in a Foreign Operation*”. IFRIC 16 was issued in July 2008 and becomes effective for financial years beginning on or after 1 October 2008;

Interpretation IFRIC 17 «*Distributions of non-cash assets to owners*» (becomes effective for annual reporting periods beginning from July 1, 2009 or after that date).

Interpretation IFRIC 18 «*Transfers of Assets from Customers* », issued in January 2009 (becomes effective for annual reporting periods beginning from July 1, 2009 or after that date).

Improvements in IFRS – in May 2008 the IASB has issued the first set of amendments to its standards, mainly, in order to cancel the lack of correspondence and to clarify the wording (becomes effective for annual reporting periods beginning from January 1, 2009 or after that date).

In the opinion of the Bank’s management, application of the above regulations will not have a material impact upon the Bank’s financial statements once adopted or during the early years of adoption.

**5. Cash and cash equivalents**

Cash and cash equivalents were:

	<b>31/12/2008</b>	31/12/2007
Balances in current accounts in other banks – Money market:		
- banks of Ukraine	<b>263,773</b>	38,979
- banks of OECD countries	<b>107,775</b>	72,615
- banks of other countries	<b>2,192</b>	456
Balances in NBU accounts	<b>10,362</b>	103,499
Cash	<b>94,805</b>	79,897
<b>Total cash and cash equivalents as presented in cash flow statement</b>	<b>478,907</b>	295,446
Provision for impairment (Note 25)	<b>(44)</b>	(9)
	<b>478,863</b>	295,437

Balances on correspondent accounts depend, *inter alia*, upon the amount of obligatory reserves based on NBU reserve norms for commercial banks.

The Bank was obliged to maintain (and maintained) the minimal obligatory reserve with NBU calculated as an average monthly weighted balance using end of day data.

As at 31<sup>st</sup> December 2008, the minimum obligatory reserve for the Bank on its NBU correspondent account was UAH 38,534 thousand (2006: UAH 25,716 thousand).

**JOINT STOCK BANK “KYIVSKA RUS”**  
**Notes to the financial statements for the year ended 31<sup>st</sup> December 2008**  
*(UAH thousands)*

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**6. Loans and advances to banks**

Amounts due from banks were:

	<b>31/12/2008</b>	31/12/2007
Deposits in Ukrainian banks	<b>475,027</b>	156,036
Loans in Ukrainian banks	<b>72,850</b>	72,065
Accrued income	<b>31</b>	-
	<b>547,908</b>	228,101
Provision for impairment (Note 25)	<b>(949)</b>	(155)
	<b>546,959</b>	227,946

As at 31<sup>st</sup> December 2008 there were interbank loans and deposits made by the Bank for UAH 459,068 thousand (2007: UAH 186,850 thousand) secured against loans and interbank deposits placed at the Bank by the same institutions in amount equivalent to UAH 556,827 thousand (2007: UAH 186,850 thousand).

**7. Loans and advances to customers**

Loans and advances to customers comprised:

	<b>31/12/2008</b>	31/12/2007
Corporate loans	<b>2,242,583</b>	1,368,047
Loans to small business	<b>39,908</b>	20,790
Less the provision for impairment of loans to legal entities	<b>(83,121)</b>	(59,700)
Total loans to legal entities	<b>2,199,370</b>	1,329,137
Consumer loans	<b>732,454</b>	443,050
Mortgage loans	<b>79,096</b>	43,734
Other loans to individuals	-	537
Less the provision for impairment of loans to individuals	<b>(48,996)</b>	(16,511)
Total loans to individuals	<b>762,554</b>	470,810
Total loans to customers	<b>2,961,924</b>	1,799,947

Changes in estimations of probability of loan repayment might affect the amount of recognized losses from impairment. For instance, if the net present value of estimated cash flows is different by plus\minus one percent, the impairment of loans as at 31 December 2008 will be less\more by approximately UAH 30,940 thousand (2007: UAH 18,762 thousand).

**JOINT STOCK BANK “KYIVSKA RUS”**Notes to the financial statements for the year ended 31<sup>st</sup> December 2008

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Below please find the analysis of changes in provision for impairment of loans during 2008:

	Balance at 1 January	Charge (reversal)	Exchange difference	Provisions, used to cover write-off	Balance at 31 December
<i>Legal entity</i>					
Corporate loans	59,318	32,984	34	(10,157)	<b>82,179</b>
Loans to small business	382	560	-	-	<b>942</b>
<i>Individuals</i>					
Consumer loans	13,967	31,205	52	(5)	<b>45,219</b>
Mortgage loans	2,494	1,269	14	-	<b>3,777</b>
Other loans to individuals	50	(50)	-	-	-
	<b>76,211</b>	<b>65,968</b>	<b>100</b>	<b>(10,162)</b>	<b>132,117</b>

Below please find the analysis of changes in provision for impairment of loans during 2007:

	Balance at 1 January	Charge (reversal)	Exchange difference	Provisions, used to cover write-off	Balance at 31 December
<i>Legal entity</i>					
Corporate loans	42,100	17,788	-	(570)	<b>59,318</b>
Loans to small business	332	50	-	-	<b>382</b>
<i>Individuals</i>					
Consumer loans	4,046	9,924	-	(3)	<b>13,967</b>
Mortgage loans	142	2,352	-	-	<b>2,494</b>
Other loans to individuals	-	50	-	-	<b>50</b>
	<b>46,620</b>	<b>30,164</b>	-	<b>(573)</b>	<b>76,211</b>

Loans and advances by economic sector were:

	31/12/2008	31/12/2007
Wholesale and retail trade	<b>967,023</b>	609,301
Individuals	<b>811,550</b>	487,321
Manufacturing industry	<b>420,728</b>	152,611
Construction	<b>288,048</b>	182,598
Agriculture and food industry	<b>264,553</b>	273,775
Real estate transactions and other services	<b>189,445</b>	82,311
Transport	<b>74,121</b>	50,819
Financial activity	<b>58,706</b>	32,945
Government bodies	<b>19,867</b>	425
Extracting industry	-	4,052
Provision for impairment (Note 25)	<b>(132,117)</b>	(76,211)
	<b>2,961,924</b>	1,799,947

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The credit quality analysis as at 31 December 2008 is shown below:

	<b>Current and unimpaired</b>	<b>Impaired</b>	<b>Total</b>
Corporate loans	1,351,878	890,705	<b>2,242,583</b>
Loans to small business	26,254	13,654	<b>39,908</b>
<b>Total loans to legal entities</b>	<b>1,378,132</b>	<b>904,359</b>	<b>2,282,491</b>
Provision for impairment of loans to legal entities			<b>(83,121)</b>
<b>Total loans to legal entities</b>			<b>2,199,370</b>
Consumer loans	682,986	49,468	<b>732,454</b>
Mortgage loans	78,826	270	<b>79,096</b>
<b>Total loans to individuals</b>	<b>761,812</b>	<b>49,738</b>	<b>811,550</b>
Provisions for impairment of loans to individuals			<b>(48,996)</b>
<b>Total loans to individuals</b>			<b>762,554</b>
<b>Total loans to customers</b>			<b>2,961,924</b>

The analysis of impaired loans to customers as at December 2008 is shown below:

	<b>Current</b>	<b>Overdue</b>			<b>Total</b>
		<b>Less than 1 month</b>	<b>From 1 to 6 months</b>	<b>More than 6 months</b>	
Corporate loans	820,821	2,389	21,383	46,112	<b>890,705</b>
Loans to small business	12,484	228	447	495	<b>13,654</b>
<b>Total loans to legal entities</b>	<b>833,305</b>	<b>2,617</b>	<b>21,830</b>	<b>46,607</b>	<b>904,359</b>
Consumer loans	23,626	8,663	7,426	9,753	<b>49,468</b>
Mortgage loans	270	-	-	-	<b>270</b>
<b>Total loans to individuals</b>	<b>23,896</b>	<b>8,663</b>	<b>7,426</b>	<b>9,753</b>	<b>49,738</b>
<b>Total loans to customers</b>	<b>857,201</b>	<b>11,280</b>	<b>29,256</b>	<b>56,360</b>	<b>954,097</b>

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(UAH thousands)

The credit quality analysis as at 31 December 2007 is shown below:

	Current and unimpaired	Impaired	Total
Corporate loans	641,601	726,446	<b>1,368,047</b>
Loans to small business	15,830	4,960	<b>20,790</b>
<b>Total loans to legal entities</b>	<b>657,431</b>	<b>731,406</b>	<b>1,388,837</b>
Provision for impairment of loans to legal entities			<b>(59,700)</b>
<b>Total loans to legal entities</b>			<b>1,329,137</b>
Consumer loans	422,546	20,504	<b>443,050</b>
Mortgage loans	43,608	126	<b>43,734</b>
Other loans to individuals	537	-	<b>537</b>
<b>Total loans to individuals</b>	<b>466,691</b>	<b>20,630</b>	<b>487,321</b>
Provisions for impairment of loans to individuals			<b>(16,511)</b>
<b>Total loans to individuals</b>			<b>470,810</b>
<b>Total loans to customers</b>			<b>1,799,947</b>

The analysis of impaired loans to customers as at December 2007 is shown below:

	Current	Overdue			Total
		Less than 1 month	From 1 to 6 months	More than 6 months	
Corporate loans	691,303	93	2,114	32,936	<b>726,446</b>
Loans to small business	4,362	29	137	432	<b>4,960</b>
<b>Total loans to legal entities</b>	<b>695,665</b>	<b>122</b>	<b>2,251</b>	<b>33,368</b>	<b>731,406</b>
Consumer loans	14,885	2,957	1,874	788	<b>20,504</b>
Mortgage loans	26	-	100	-	<b>126</b>
<b>Total loans to individuals</b>	<b>14,911</b>	<b>2,957</b>	<b>1,974</b>	<b>788</b>	<b>20,630</b>
<b>Total loans to customers</b>	<b>710,576</b>	<b>3,079</b>	<b>4,225</b>	<b>34,156</b>	<b>752,036</b>

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**8. Securities available-for-sale**

	<b>31/12/2008</b>	31/12/2007
Ukrainian corporate promissory notes	<b>5,058</b>	6,278
Ukrainian corporate bonds	<b>640</b>	-
Investment certificates	<b>170</b>	3,320
Shares of Ukrainian entities	<b>25</b>	25
	<b>5,893</b>	9,623

The most material securities available-for-sale were promissory notes issued by: LLC “Ukravtozapchastyna” and LLC “Donetsky ore-repair factory” amounting to UAH 1,880 thousand and UAH 3,177 thousand, respectively.

Trading volumes on the Ukrainian Stock Exchange are low and shares are largely illiquid. Therefore the Bank takes the view that market quotes do not reflect realisable value of shares especially when sizable volumes are bid or offered. Given that fair value cannot be reliably measured, shares held by the Bank in listed companies are reported at cost less any possible provisions for impairment.

**9. Investment property**

	<b>31/12/2008</b>	31/12/2007
Fair value of the investment property at the beginning of the year	-	-
Acquisition	<b>5,953</b>	-
Revaluation	-	-
Fair value of the investment property at the end of the year	<b>5,953</b>	-

Investment property acquired by the Bank in December 2008, as such the acquisition cost is equivalent to fair value at the balance-sheet date.

**JOINT STOCK BANK “KYIVSKA RUS”**  
**Notes to the financial statements for the year ended 31<sup>st</sup> December 2008**  
*(UAH thousands)*

**10. Property, equipment and intangible assets**

	<b>Building</b>	<b>Vehicles</b>	<b>Computers and equipment</b>	<b>Fixtures and fittings</b>	<b>Other fixed assets</b>	<b>Intangible assets</b>	<b>Capital investments</b>	<b>Total</b>
<b>Original cost</b>								
<b>1<sup>st</sup> January 2007</b>	<b>61,560</b>	<b>2,582</b>	<b>11,177</b>	<b>2,840</b>	<b>2,567</b>	<b>1,404</b>	<b>2,427</b>	<b>84,557</b>
Additions	2,967	2,839	10,832	3,074	6,496	520	18,359	45,087
Retirements	(221)	(501)	(510)	(206)	(994)	-	(12,611)	(15,043)
Revaluation	31,001	-	-	-	-	-	-	31,001
<b>31<sup>st</sup> December 2007</b>	<b>95,307</b>	<b>4,920</b>	<b>21,499</b>	<b>5,708</b>	<b>8,069</b>	<b>1,924</b>	<b>8,175</b>	<b>145,602</b>
Additions	4,765	2,227	10,355	4,165	5,293	1,332	11,630	39,767
Retirements	(21)	(873)	(566)	(26)	(340)	(278)	(19,128)	(21,232)
Revaluation	26,924	-	-	-	-	-	-	26,924
<b>31<sup>st</sup> December 2008</b>	<b>126,975</b>	<b>6,274</b>	<b>31,288</b>	<b>9,847</b>	<b>13,022</b>	<b>2,978</b>	<b>677</b>	<b>191,061</b>
<b>Accumulated depreciation</b>								
<b>1<sup>st</sup> January 2007</b>	<b>2,428</b>	<b>981</b>	<b>6,331</b>	<b>1,896</b>	<b>1,746</b>	<b>794</b>	<b>-</b>	<b>14,176</b>
Accrued depreciation	1,278	458	3,021	622	1,009	336	-	6,724
Retirements	(45)	(326)	(492)	(194)	(796)	-	-	(1,853)
Revaluation	1,362	-	-	-	-	-	-	1,362
<b>31<sup>st</sup> December 2007</b>	<b>5,023</b>	<b>1,113</b>	<b>8,860</b>	<b>2,324</b>	<b>1,959</b>	<b>1,130</b>	<b>-</b>	<b>20,409</b>
Accrued depreciation	2,020	814	5,447	1,438	2,581	560	-	12,860
Retirements	(2)	(662)	(546)	(13)	(340)	(148)	-	(1,711)
Revaluation	1,984	-	-	-	-	-	-	1,984
<b>31<sup>st</sup> December 2007</b>	<b>9,025</b>	<b>1,265</b>	<b>13,761</b>	<b>3,749</b>	<b>4,200</b>	<b>1,542</b>	<b>-</b>	<b>33,542</b>
<b>Net value:</b>								
<b>31<sup>st</sup> December 2006</b>	<b>59,132</b>	<b>1,601</b>	<b>4,846</b>	<b>944</b>	<b>821</b>	<b>610</b>	<b>2,427</b>	<b>70,381</b>
<b>31<sup>st</sup> December 2007</b>	<b>90,284</b>	<b>3,807</b>	<b>12,639</b>	<b>3,384</b>	<b>6,110</b>	<b>794</b>	<b>8,175</b>	<b>125,193</b>
<b>31<sup>st</sup> December 2008</b>	<b>117,950</b>	<b>5,009</b>	<b>17,527</b>	<b>6,098</b>	<b>8,822</b>	<b>1,436</b>	<b>677</b>	<b>157,519</b>

“Buildings” group includes plot of land with the carrying amount of UAH 341 thousand.

The Bank’s buildings were re-valued by independent valuers (LLC “Nekos-Realty”) on 1<sup>st</sup> December 2008. In determining the fair value of real estate, various approaches were used including: purchase price and subsequent restoration and upgrading costs; profitability to the bank; and comparisons with prices of similar real estate. According to the independent valuers’ report, the increase in value was UAH 24,940 thousand.

As at 31 December 2008 the Bank has pledged as a security one object of the property, plant and equipment with carrying amount equal to UAH 54,284 thousand.

**JOINT STOCK BANK “KYIVSKA RUS”**Notes to the financial statements for the year ended 31<sup>st</sup> December 2008

(UAH thousands)

**11. Other assets**

Other assets are summarized as follows:

	31/12/2008	31/12/2007
Precious metals	3,063	-
Settlements for card transactions	934	342
Deferred expenses	722	509
Materials	540	607
Services	505	488
Prepayments for fixed and other assets	306	1,184
Accrued income	70	61
Other assets	468	102
	<b>6,608</b>	<b>3,293</b>
Provision for impairment (Note 26)	<b>(12)</b>	<b>(32)</b>
	<b>6,596</b>	<b>3,261</b>

**12. Deposits from banks**

Amounts due to other banks were as follows:

	31/12/2008	31/12/2007
Interbank loans and deposits from Ukrainian banks	628,949	281,543
Loans received from NBU	313,850	96,000
Correspondent accounts of other banks	252,474	10,000
Accrued interest expenses	44	20
	<b>1,195,317</b>	<b>387,563</b>

**13. Deposits from customers**

Amounts due to customers included:

	31/12/2008	31/12/2007
<b>Current accounts:</b>		
held by corporates	245,283	430,444
held by individuals	97,682	88,998
	<b>342,965</b>	<b>519,442</b>
<b>Deposits with fixed period:</b>		
held by corporates	439,585	384,152
held by individuals	1,791,555	929,246
	<b>2,231,140</b>	<b>1,313,398</b>
	<b>2,574,105</b>	<b>1,832,840</b>

**JOINT STOCK BANK “KYIVSKA RUS”****Notes to the financial statements for the year ended 31<sup>st</sup> December 2008***(UAH thousands)*

The figures above include accrued interest on term deposits of corporates of UAH 3,883 thousand (2007: UAH 3,904 thousand) and individuals of UAH 18,003 thousand (2007: UAH 8,999 thousand), plus accrued interest expenses on current accounts of corporates in the amount of UAH 22 thousand (2007: UAH 221 thousand) and of individuals in the amount of UAH 15 thousand (2007: UAH 5 thousand).

Certain amounts due to customers are in the form of collateral provided to the Bank by corporates in respect of the issuance by the Bank of loans, guarantees, letters of credit, and other instruments. Collateralised amounts due to customers amounted to UAH 243,091 thousand (2007: 214,529 thousand).

According to the Ukrainian Civil Code, the Bank is obliged to repay deposits to individual depositors at short notice. If a fixed-term deposit is withdrawn by the depositor ahead of term, interest is payable at the rate applied to demand deposits unless otherwise specified by the contract. In October 2008 the resolution of NBU administration has temporarily restricted the banks the pre-scheduled termination of agreements upon the customers demand.

**14. Debt securities issued**

	<b>31/12/2008</b>	31/12/2007
Bonds	1,745	2,755
	<b>1,745</b>	<b>2,755</b>

As at 31 December 2008 the bonds comprised:

Series	Interest rate	Date of issue	Maturity date	Nominal value	Non-amortized premium	Accrued interests	Carrying amount
B	15%	26.05.2006	10.06.2009	1,727	2	16	1,745
				<b>1,727</b>	<b>2</b>	<b>16</b>	<b>1,745</b>

As at 31 December 2007 the bonds comprised:

Series	Interest rate	Date of issue	Maturity date	Nominal value	Non-amortized premium	Accrued interests	Carrying amount
B	14%	26.05.2006	10.06.2009	2,727	7	21	2,755
				<b>2,727</b>	<b>7</b>	<b>21</b>	<b>2,755</b>

In 2006, to attract funding, the Bank issued bonds with a par value of UAH 1 thousand. The sale period is 26<sup>th</sup> June 2006 to 9<sup>th</sup> June 2009. The maturity date of the bonds is 10<sup>th</sup> June 2009. The interest rate before 12<sup>th</sup> December 2008 is 14% per annum. Thereafter the interest rate will be determined by the Bank’s management but with a *de minimis* level of the re-financing rate of the NBU.

**JOINT STOCK BANK “KYIVSKA RUS”**  
**Notes to the financial statements for the year ended 31<sup>st</sup> December 2008**  
*(UAH thousands)*

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**15. Deferred tax liabilities**

The breakdown of deferred tax assets and liabilities are:

	31/12/2008	31/12/2007
<b>Deferred tax assets</b>		
Loans and advances to banks	(112)	(41)
Loans and advances to customers	(4,719)	(1,648)
Other assets	(3)	(8)
Debt securities issued	(4)	(5)
Other liabilities	(1,021)	(781)
	<u>(5,859)</u>	<u>(2,483)</u>
<b>Deferred tax liabilities</b>		
Securities available-for-sale	919	965
Property, equipment and intangible assets	24,090	17,444
Subordinated liabilities	-	229
	<u>25,009</u>	<u>18,638</u>
<b>Net deferred tax liabilities</b>	<u>19,150</u>	<u>16,155</u>

Movements in temporary differences during the year:

	2008	2007
<b>Balance at the beginning of the period</b>	<u>16,155</u>	<u>7,964</u>
Changes of temporary differences reported in the income statement	(3,241)	821
Changes of temporary differences reported directly in equity	6,236	7,370
<b>Balance at the end of period</b>	<u>19,150</u>	<u>16,155</u>

The Bank recognizes deferred tax assets by those temporary differences, which as expected will be used in short-term periods and the management expects to receive taxable income in future, against which the recognized deferred tax assets can be realized.

**JOINT STOCK BANK “KYIVSKA RUS”**Notes to the financial statements for the year ended 31<sup>st</sup> December 2008

(UAH thousands)

**16. Subordinated debt**As at 31<sup>st</sup> December 2008 subordinated debt was as follows:

Creditor	Currency	Nominal amount	Maturity term	Nominal rate, %	Carrying amount	
					2008	2007
LLC “Continent”	UAH	3,000	23.12.2010	7.0	-	2,732
LLC “Cascade”	UAH	5,000	07.06.2011	11.0	-	5,000
CJSC IC “Kyivska Rus”	UAH	3,000	13.07.2012	3.0	-	2,351
OJCS “Bilotserkivskiy elevator”	UAH	5,000	30.11.2012	12.0	-	5,000
OJCS “Bilotserkivskiy elevator”	UAH	6,000	08.01.2014	11.0	-	6,000
					-	<b>21,083</b>

In 2008 the Bank received permission for a long-term repayment of subordinated debt and returned the money to investors.

**17. Other liabilities**As at 31<sup>st</sup> December 2008 other liabilities of the Bank included:

	31/12/2008	31/12/2007
Provision for paid annual leave	<b>2,808</b>	2,798
Settlements on clients transactions	<b>1,344</b>	579
Provision for contingent liabilities (Note 24)	<b>1,234</b>	330
Settlements with clients on payment cards	<b>667</b>	144
Settlements on business transactions	<b>151</b>	136
Accrued interest expenses	<b>117</b>	
Deferred income	<b>42</b>	29
Tax settlements, except for income tax	<b>50</b>	13
Other liabilities	<b>215</b>	95
	<b>6,628</b>	4,124

**JOINT STOCK BANK “KYIVSKA RUS”****Notes to the financial statements for the year ended 31<sup>st</sup> December 2008***(UAH thousands)*

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**18. Share capital**

As at the reporting date the registered and paid up share capital of the Bank was UAH 276,080 thousand divided into 27,608,000 ordinary shares with a nominal value of UAH 10 each.

The Bank's shareholders' capital was paid by the shareholders in Ukrainian Hryvnya. All shares have equal voting rights. The owners of shares have the right to receive dividends and allocations in the event of rights issues and scrip issues.

These financial statements report amount of shareholders' equity as recalculated in compliance with IAS 29 to take into account the hyperinflation in Ukraine as described in Note 4 above. The effect of applying IAS 29 has been to increase share capital by UAH 6,114 thousand. Additions to share capital made after 31<sup>st</sup> December 2000 have not been adjusted for hyperinflation.

Changes in the Share Capital of the Bank during the reporting year were as follows:

	<b>Number of shares</b>	<b>Carrying amount 000'UAH</b>	<b>Amount adjusted for inflation 000'UAH</b>
<b>31<sup>st</sup> December 2006</b>	<b>5,033,000</b>	<b>50,330</b>	<b>56,444</b>
New shares issue	7,575,000	75,750	75,750
<b>31<sup>st</sup> December 2007</b>	<b>12,608,000</b>	<b>126,080</b>	<b>132,194</b>
New shares issue	15,000,000	150,000	150,000
<b>31<sup>st</sup> December 2008</b>	<b>27,608,000</b>	<b>276,080</b>	<b>282,194</b>

As at 31 December 2008 the major shareholder of the Bank (directly or indirectly) is a company Sharp Arrow Holdings Limited, which owns 51 % (2007: 51.0 %) of the Bank's shares. However, it should also be noted that the Chairman of the Managing Board has significant influence and, directly and indirectly, owns and controls 46.04% of the Bank's share capital. (2007: 47.86 %).

**JOINT STOCK BANK “KYIVSKA RUS”**Notes to the financial statements for the year ended 31<sup>st</sup> December 2008

(UAH thousands)

**19. Net interest income**

Information about net interest income was as follows:

	2008	2007
<b>Interest income</b>		
Due from clients – corporates	321,858	128,702
Due from clients – individuals	126,563	84,939
Due from banks	48,717	12,043
Securities available for sale	3,308	1,946
	<b>500,446</b>	<b>227,630</b>
<b>Interest expenses</b>		
Due from clients - corporates	(66,810)	(31,464)
Due from clients – individuals	(209,281)	(83,372)
Due from other banks	(65,915)	(15,905)
Own debt securities	(743)	(358)
Subordinated debt	(1,253)	(2,224)
	<b>(344,002)</b>	<b>(133,323)</b>
<b>Net interest income</b>	<b>156,444</b>	<b>94,307</b>

**20. Net commission income**

The Bank’s net commission income was:

	2008	2007
<b>Commission income</b>		
Cash and settlement servicing	34,718	18,174
Crediting	2,873	1,600
Security transactions	363	284
Foreign currency transactions	10,762	9,457
Other	6,507	1,864
<b>Total commission income</b>	<b>55,223</b>	<b>31,379</b>
Commission expenses	(4,536)	(2,541)
<b>Net commission income</b>	<b>50,687</b>	<b>28,838</b>

**21. Net trading income from foreign currency transactions**

Net income from operations with foreign currency is provided as follows:

	2008	2007
Foreign currency trading	32,753	14,704
Revaluation of foreign currency	22,590	(496)
	<b>55,343</b>	<b>14,208</b>

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**Notes to the financial statements for the year ended 31<sup>st</sup> December 2008**  
*(UAH thousands)*

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**22. Other operating income**

Other operating income comprised:

	<b>2008</b>	2007
Penalties received	<b>4,012</b>	2,096
Income/(loss) from sale of securities	<b>615</b>	1,087
Other income	<b>612</b>	695
	<b>5,239</b>	3,878

**23. Staff costs**

Staff costs comprise:

	<b>2008</b>	2007
Salary	<b>75,285</b>	37,530
Pension and social funds	<b>23,105</b>	12,336
Other personnel expenses	<b>3,618</b>	2,944
	<b>102,008</b>	52,810

The Bank makes deductions from employees’ gross salaries in respect of pension, social fund contributions and taxation in accordance with prevailing local legislation. The Bank also makes contributions to pension and social funds on behalf of employees in accordance with prevailing local legislation. The respective amounts are reported in the income statement in the period that the relevant salary expenses are accrued.

**24. Other operating and administrative expenses**

Other operating and administrative expenses were:

	<b>2008</b>	2007
Premises lease and maintenance	<b>28,533</b>	12,673
Insurance	<b>13,483</b>	8,289
Deposit insurance fund	<b>5,989</b>	2,505
Taxes, except for income tax	<b>5,883</b>	638
Security	<b>4,476</b>	2,164
Repair	<b>4,136</b>	3,392
Communication	<b>3,902</b>	1,931
Marketing and advertising	<b>3,526</b>	1,184
Office expenses	<b>1,891</b>	2,128
Consulting and other professional services	<b>1,778</b>	1,037
Computer data processing	<b>1,308</b>	693
Travel expenses	<b>400</b>	233
Charity	<b>259</b>	735
Other	<b>2,939</b>	2,209
	<b>78,503</b>	39,811

**JOINT STOCK BANK “KYIVSKA RUS”**Notes to the financial statements for the year ended 31<sup>st</sup> December 2008

(UAH thousands)

**25. Provision for impairment of loans**

Changes in provisions for impairments and losses on interest earning assets during 2008 were:

	<b>Cash and cash equivalents (Note 5)</b>	<b>Loans and advances to banks (Note 6)</b>	<b>Loans and advances to customers (Note 7)</b>	<b>Total</b>
Balance at the beginning of the year	<b>9</b>	<b>155</b>	<b>76,211</b>	<b>76,375</b>
Charge (reversal)	35	794	65,968	<b>66,797</b>
Exchange difference	-	-	100	<b>100</b>
Provisions, used to cover write-offs	-	-	(10,162)	<b>(10,162)</b>
Balance at the year-end	<b>44</b>	<b>949</b>	<b>132,117</b>	<b>133,110</b>

Changes in provisions for impairments and losses on interest earning assets during 2007 were:

	<b>Cash and cash equivalents (Note 5)</b>	<b>Loans and advances to banks (Note 6)</b>	<b>Loans and advances to customers (Note 7)</b>	<b>Total</b>
Balance at the beginning of the year	<b>29</b>	<b>114</b>	<b>46,620</b>	<b>46,763</b>
Charge (reversal)	(20)	41	30,164	<b>30,185</b>
Provisions, used to cover write-offs	-	-	(573)	<b>(573)</b>
Balance at the year-end	<b>9</b>	<b>155</b>	<b>76,211</b>	<b>76,375</b>

**26. Other provisions**

Changes in other provisions during 2008 were:

	<b>Other assets (Note 11)</b>	<b>Other liabilities (Note 17)</b>	<b>Total</b>
Balance at the beginning of the year	<b>32</b>	<b>330</b>	<b>362</b>
Charge (reversal)	19	904	<b>923</b>
Provisions, used to cover write-off	(39)	-	<b>(39)</b>
Balance at the year-end	<b>12</b>	<b>1,234</b>	<b>1,246</b>

Changes in other provisions during 2007 were:

	<b>Other assets (Note 11)</b>	<b>Other liabilities (Note 17)</b>	<b>Total</b>
Balance at the beginning of the year	<b>52</b>	<b>205</b>	<b>257</b>
Charge (reversal)	(8)	125	<b>117</b>
Provisions, used to cover write-off	(12)	-	<b>(12)</b>
Balance at the year-end	<b>32</b>	<b>330</b>	<b>362</b>

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**Notes to the financial statements for the year ended 31<sup>st</sup> December 2008**  
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**27. Income tax**

Income tax expenses for 2008 were:

	<b>2008</b>	2007
Current tax	<b>6,330</b>	4,516
Deferred taxation change	<b>(3,240)</b>	821
	<b>3,090</b>	5,337

Reconciliation of standard tax rate to effective tax rate:

	<b>2008</b>	2007
Pre-tax profit	<b>5,809</b>	12,211
Standard tax rate	<b>25%</b>	25%
Tax expense applying the standard rate	<b>1,452</b>	3,053
Non temporary differences, 28.2 % (2007: 18.7%)	<b>1,638</b>	2,284
<b>Income tax expenses, effective rate 53.2 % (2007: 43.7%)</b>	<b>3,090</b>	5,337

**28. Earnings per share**

Basic earning per share is calculated by dividing total net profit after tax by the weighted average number of shares in issue during the reporting period.

The Bank does not have any instruments outstanding to third parties (such as share options) which would dilute the basic income per share.

	<b>31/12/2008</b>	31/12/2007
Net profit for the year (000'UAH)	<b>2,719</b>	6,874
Average weighted number of ordinary shares in issue (thousand pieces)	<b>16,175</b>	6,299
<b>Basic and diluted income per share (UAH)</b>	<b>0.17</b>	1.09

**29. Contingencies**

***Legal proceedings***

From time to time, in the normal course of business, claims against the Bank are received. On the basis of its own estimates, and internal and external professional advice, the management is of the opinion that no material losses will result from such claims. Accordingly no additional provisions have been made to cover contingent legal liabilities.

***Tax legislation***

Ukraine currently has a number of laws related to various taxes and levies imposed by both state and local authorities. Applicable taxes include, but are not limited to, value added tax, income tax, a number of turnover-based taxes, and payroll and social taxes. Laws relating to these taxes are subject to frequent changes, regulations are often unclear or non-existent, and few precedents have been established. Often there are differing opinions regarding legal interpretation among and within government ministries and organisations (like the State Tax Administration and its various inspectorates), thus creating uncertainties and areas of conflict. Tax declarations, together with other areas of legal compliance (e.g. customs and currency control matters), are subject to review and

**JOINT STOCK BANK “KYIVSKA RUS”****Notes to the financial statements for the year ended 31<sup>st</sup> December 2008***(UAH thousands)*

investigation by a number of authorities which have the legal right to impose extremely severe fines and penalties. These uncertainties create a tax risk in Ukraine substantially more significant than typically found in countries with more developed and tested taxation systems.

The management believes that the Bank's operations fully comply with all effective legislation regulating its activities and that the Bank has accrued all necessary taxes. When there is an uncertainty with respect to taxes payable, accrual is made (or otherwise) based on the Bank's management's judgement of the situation taking into account all information and circumstances.

***Operating lease***

As at 31 December 2008 the value of property, plant and equipment accepted into operating lease comprises UAH 50,915 thousand (2007: UAH 34,995 thousand). The Bank did not sign any agreements under irrevocable lease. Value of lease payments and maintenance of lease assets are disclosed in the Note 23.

***Off balance sheet commitments and contingent liabilities***

Contingent liabilities of the Bank arising were:

	<b>31/12/2008</b>	31/12/2007
Loan liabilities	<b>309,886</b>	321,476
Letter of credit	<b>92,371</b>	17,071
Guarantees	<b>64,029</b>	85,277
Collateral guarantees	<b>4,687</b>	19,872
	<b>470,973</b>	443,696

**30. Related party transactions**

In the financial statements parties are considered to be related when: (i) one party controls or is under common control of or with another party; or (ii) when one party exercises significant influence over the financial and operational decisions of another party. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely to the legal form.

During 2008 and 2007 the Bank's related party transactions included:

	<b>31/12/2008</b>		31/12/2007	
	<b>With related parties</b>	<b>With all parties</b>	With related parties	With all parties
<b>Assets</b>				
Loans and advances to customers (Note 7)	<b>74,778</b>	<b>3,094,041</b>	13,325	1,876,158
Provision for impairment on loans and advances to customers (Note 7)	<b>(1,717)</b>	<b>(132,117)</b>	(555)	(76,211)
<b>Liabilities</b>				
Deposits from customers (Note 13)	<b>73,420</b>	<b>2,574,105</b>	26,592	1,832,840
<b>Income and expenses</b>				
Interest income (Note 19)	<b>6,683</b>	<b>500,446</b>	1,513	227,630
Interest expense (Note 19)	<b>(1,556)</b>	<b>(344,002)</b>	(1,837)	(133,323)
Other operating and administrative expenses (Note 24)	<b>(4,547)</b>	<b>(78,503)</b>	(4,394)	(39,811)

## JOINT STOCK BANK “KYIVSKA RUS”

Notes to the financial statements for the year ended 31<sup>st</sup> December 2008

(UAH thousands)

Interest rates on transactions with related parties did not differ materially from interest rates applicable on similar transactions with non-related parties.

The Bank’s key management and administrative staff were paid bonuses in 2008 in an aggregate amount of UAH 5,627 thousand (2007: UAH 2,391 thousand).

### 31. Capital management

The Bank’s capital management has the following objectives: to observe the capital requirements established by the NBU; to ensure the Bank’s ability to operate as a going concern and maintain capital base at the level required to sustain capital adequacy ratio at 8% recommended by the Basle Accord.

Bank’s policy as to the capital management lies in the following:

- recognition and maintenance of adequate scope of equity;
- managing adequacy of basic and regulative capitals, using methodology of limitation of deposits into active operations;
- diversification of active operations;
- making proposals as to the capital increase arrangements;
- redirecting the business into services that require less equity

The control over the Bank’s compliance with the capital adequacy ratio set by the NBU is exercised daily based on the calculation of the amount of its equity and risk weighted assets. In accordance with the current capital requirements set by NBU, the banks should maintain the ratio of capital to risk weighted assets (capital adequacy ratio) above the prescribed minimum level which equals 10 %. As at 31<sup>th</sup> December 2008, the Bank’s capital adequacy ratio was 10.9 % (2007: 10.8 %).

As at 31<sup>th</sup> December 2008, the ratio of the Bank’s capital adequacy, calculated in accordance with the terms of the Basel Agreement as of 1988 exceeded the recommended minimum requirement of 8 %:

	31/12/2008	31/12/2007
Fixed capital (1 <sup>st</sup> -level capital)	298,198	145,479
Additional capital (2 <sup>nd</sup> -level capital)	68,758	70,564
Total equity	366,956	216,043
Assets weighted by risk	3,247,471	1,983,613
<b>Capital adequacy ratio</b>	<b>11%</b>	11%
Minimum capital adequacy requirement	8%	8%

**JOINT STOCK BANK “KYIVSKA RUS”**  
**Notes to the financial statements for the year ended 31<sup>st</sup> December 2008**  
*(UAH thousands)*

**32. Classification and fair value of financial instruments**

*Classification of financial instruments*

Classification of financial instruments as at 31<sup>st</sup> December 2008 is presented as follows:

	Loans and receivables	Available- for-sale	Other assets and liabilities at amortized cost	Non-financial assets	Total
<b>Assets</b>					
Cash and cash equivalents	-	-	478,863	-	<b>478,863</b>
Loans and advances to banks	546,959	-	-	-	<b>546,959</b>
Loans and advances to customers	2,961,924	-	-	-	<b>2,961,924</b>
Securities available-for-sale	-	5,893	-	-	<b>5,893</b>
Investment property	-	-	-	5,953	<b>5,953</b>
Property, equipment and intangible assets	-	-	-	157,519	<b>157,519</b>
Current tax assets	-	-	-	194	<b>194</b>
Other assets	1,460	-	-	5,136	<b>6,596</b>
	<b>3,510,343</b>	<b>5,893</b>	<b>478,863</b>	<b>168,802</b>	<b>4,163,901</b>
<b>Liabilities</b>					
Deposits from banks	-	-	1,195,317	-	<b>1,195,317</b>
Deposits from customers	-	-	2,574,105	-	<b>2,574,105</b>
Debt securities issued	-	-	1,745	-	<b>1,745</b>
Deferred tax liabilities	-	-	-	19,150	<b>19,150</b>
Other liabilities	-	-	6,628	-	<b>6,628</b>
	-	-	<b>3,777,795</b>	<b>19,150</b>	<b>3,796,945</b>

**JOINT STOCK BANK “KYIVSKA RUS”**  
**Notes to the financial statements for the year ended 31<sup>st</sup> December 2008**  
*(UAH thousands)*

Classification of financial instruments as at 31<sup>st</sup> December 2007 is presented as follows:

	Loans and receivables	Available- for-sale	Other assets and liabilities at amortized cost	Non-financial assets	Total
<b>Assets</b>					
Cash and cash equivalents	-	-	295,437	-	<b>295,437</b>
Loans and advances to banks	227,946	-	-	-	<b>227,946</b>
Loans and advances to customers	1,799,947	-	-	-	<b>1,799,947</b>
Securities available-for-sale	-	9,623	-	-	<b>9,623</b>
Property, equipment and intangible assets	-	-	-	125,193	<b>125,193</b>
Other assets	473	-	-	2,788	<b>3,261</b>
	<b>2,028,366</b>	<b>9,623</b>	<b>295,437</b>	<b>127,981</b>	<b>2,461,407</b>
<b>Liabilities</b>					
Deposits from banks	-	-	387,563	-	<b>387,563</b>
Deposits from customers	-	-	1,832,840	-	<b>1,832,840</b>
Debt securities issued	-	-	2,755	-	<b>2,755</b>
Current tax liabilities	-	-	-	1,354	<b>1,354</b>
Deferred tax liabilities	-	-	-	16,155	<b>16,155</b>
Subordinated liabilities	-	-	21,083	-	<b>21,083</b>
Other liabilities	-	-	4,124	-	<b>4,124</b>
	-	-	<b>2,248,365</b>	<b>17,509</b>	<b>2,265,874</b>

***Fair value of financial instruments***

Save in cases of compulsory sale or liquidation, fair value is the amount for which a financial instrument can be sold or exchanged between two willing third parties on an arm's length basis. The best confirmation of the fair value is the market price of a financial instrument, though validity of market price as a determinant of fair value in the context of Ukraine is often impaired by the immaturity of the stock market and the local capital markets.

The Bank calculates the fair value of financial instruments based on market information (if available) and by applying valuation methodologies which take into account all relevant information. Often fair value is based upon the professional judgement of management after considering all pertinent factors.

***- due from and to other banks***

Due to their short tenor, the fair value of assets with maturity up to one month approximately equals their carrying-value. Interest rates applied to more long-term deposits reflect market rates and, hence, the fair value approximates to the carrying amount.

***- securities***

The carrying value of the securities available-for-sale is an adequate estimate of their fair value. Interest rates on interest-bearing securities are assumed to reflect fair market rates and, accordingly, the fair value of these instruments approximates to their carrying value.

*- loans and advances to customers*

The fair value of the credit portfolio as a whole is determined by segmenting the portfolio and determining the characteristics and risks associated with each segment. Provisions for potential credit losses are assessed with regards to the risk premiums applied to each portfolio segment taking into account such factors as the current economic situation, where the borrower operates, the financial condition of each borrower, and the quality and value of collateral. Management regards the current provisioning levels for the Bank’s loan assets as fairly reflecting overall credit risk.

Loans are mainly extended on the basis of market rates. Therefore current outstanding balances are generally reflective of fair value. The carrying amount, calculated as amortised cost, is a reasonable approximation to the fair value.

*- due to customers*

Due to their short tenor, the fair value of deposits with maturity up to one month equates approximately to the carrying amount. Interest rates applied to more long-term deposits reflect market rate. Hence, the fair value is close to the carrying amount.

### **33. Risk management**

Risk management is the basis of banking and a material component of all banking transactions. The principal purpose of financial risk management is establishing risks limits and controls over compliance therewith. The highest risks inherent to the Bank’s activity are related to the credit process and lending, liquidity, and market fluctuation in interest and exchange rates.

*Credit risk*

Credit risk is the risk that the counteragent fails to perform its contract liabilities.

Credit risk management policy in JSB «Kyivska Rus» is aimed at preventing the risk arising, and establishing the system of early reaction. In order to prevent potential risk arising, the bank has mechanisms that enable to perform comprehensive operation study at the valuation stage and reveal possible risks when granting credits.

Methods of credit risk management include:

- Risks analysis and valuation;
- Procedures of performing the operations;
- Limiting operations;
- Diversification of operations;
- Forming the reserves for covering possible losses.

Credit risk valuation is performed basing on the individual credit risk as the risk that each individual counteragent fails to perform its contract liabilities of paying the loan and the interest at maturity. The valuation of individual credit risk includes valuation of the financial position of each counteragent-borrower, individual, bank-counteragent, etc, that are determined according to the requirements of «Regulations of JSB «Kyivska Rus» on valuation of the borrower’s financial position and forming reserves for covering possible losses connected with loan operations». Valuation of the financial position of issuers of securities, banks-counteragents is performed in accordance with Methods and procedures worked out and introduced in the Bank.

**JOINT STOCK BANK “KYIVSKA RUS”****Notes to the financial statements for the year ended 31<sup>st</sup> December 2008***(UAH thousands)*

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Valuation of portfolio credit risk is determined as the possibility of decreasing the cost of a part of the bank's assets, presented as the amount of given loans and acquired debt liabilities, if actual profitability of this part of assets proves to be significantly lower than the expected calculated level. Valuation of portfolio credit risk provides for valuation of the Bank's assets concentration and diversification.

With the purpose of preventing the arising of the increased risk of performing active operations, the analysis of concentration is performed regarding the following: types of economic activity, loan amount, branch of economy, and pledged property.

The portfolio credit risk monitoring is performed on a regular basis. With this purpose, the automated system of control has been created. It allows to quickly receive information regarding the quality and concentration of credit portfolio and take actions to prevent the arising of the increased credit risk.

For credit risks covering, the Bank creates special reserves, the calculation of which is regulated by the internal Bank regulations. Besides, the loans are diversified according to the borrowers, branches of economy, regions. It allows avoiding risk concentration in one sphere of loan activity.

When managing credit risk, all corresponding structural units of the bank are engaged according to the approved document of distributing duties between them, the regulation about the structural units and job descriptions.

Maximum credit risk is summarized as follows:

	<b>31/12/2008</b>	31/12/2007
<b>Balance sheet items</b>		
Cash and cash equivalents (except for cash in hand)	<b>384,058</b>	215,539
Loans and advances to banks	<b>546,959</b>	227,946
Loans and advances to customers	<b>2,961,924</b>	1,799,947
Securities available-for-sale	<b>5,893</b>	9,623
Other assets	<b>6,596</b>	3,261
	<b>3,905,430</b>	2,256,316
<b>Off-balance sheet items</b>		
Loan liabilities	<b>309,886</b>	321,476
Letter of credit	<b>92,371</b>	17,071
Guarantees	<b>64,029</b>	85,277
Collateral guarantees	<b>4,687</b>	19,872
	<b>470,973</b>	443,696

***Liquidity risk***

The Bank treats liquidity risk as the risk that it will meet difficulties of fulfilling its financial liabilities. The source of liquidity risk is the discrepancy between the terms and amounts of settling the Bank assets and liabilities. Performing the majority of bank operations depends directly on the Bank ability to meet customer liquid funds demand. Liquidity crisis can arise from Bank's risky credit and investment policy, insufficient level of resources base management, as well as from the liquidity crisis of the whole bank system. It should be mentioned that in the fourth quarter of 2008 in Ukraine there was the liquidity crisis of the whole financial sector; that is why, the majority of banks faced difficulties connected with the outflow of clients' deposits, decrease of the level of returning loans by clients, and no trust to the bank system in general. That is why, on the 13.10.2008 the National Bank of Ukraine established a moratorium on early returning of clients' deposits.

Liquidity risk is the fundamental component of bank activity and an important source of income. Fulfilling client-related liabilities is of top priority, that is why the Bank is conservative when taking liquidity risk, and regards liquidity risk management the most important type of bank management. The main purpose of the liquidity risk management is keeping liquidity within the established limit.

The following methods are used for liquidity risk valuation: gap-analysis, coefficient liquidity analysis, the analysis of the attracted funds structure. Stress-testing allows valuating the influence of adverse circumstances on the Bank liquidity. The liquidity risk is valuated separately in hryvnias, US dollars, Euro, and Russian rubles.

The sense of liquidity management lies in flexible combination of opposite purposes – maximization of profit and keeping sufficient liquidity level. The Bank deliberately puts liquidity, but not profitability, to be top priority. Liquidity risk management lies in maintaining the sufficient level of the imbalance between assets and liabilities of different terms and amounts until maturity. Liquidity risk management includes control of payment flows, control of short-term loan possibility, tracking off-balance-sheet liabilities, and mobilization plan in case of certain crisis circumstances. Liquidity management is performed in the short-term, mid-term, and long-term periods using the methods of assets and liabilities management and their combination.

Risks department daily monitors meeting the established limits, analyses short-term cash flows, manages mid-term and long-term liquidity, and valuates the need for financing.

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**Notes to the financial statements for the year ended 31<sup>st</sup> December 2008**  
*(UAH thousands)*

The Bank’s liquidity position as at 31<sup>st</sup> December 2008 was:

	<b>Up to 1 month</b>	<b>1 to 3 months</b>	<b>3 months to 1 year</b>	<b>Over 1 year</b>	<b>Total</b>
<b>Assets</b>					
Cash and cash equivalents	478,863	-	-	-	<b>478,863</b>
Loans and advances to banks	294,204	136,481	116,274	-	<b>546,959</b>
Loans and advances to customers	402,869	592,985	1,047,263	918,807	<b>2,961,924</b>
Securities available-for-sale	665	1,881	-	3,347	<b>5,893</b>
Investment property	5,953	-	-	-	<b>5,953</b>
Property, equipment and intangible assets	-	-	-	157,519	<b>157,519</b>
Current tax assets	-	-	194	-	<b>194</b>
Other assets	6,429	3	17	147	<b>6,596</b>
<b>Total assets</b>	<b>1,188,983</b>	<b>731,350</b>	<b>1,163,748</b>	<b>1,079,820</b>	<b>4,163,901</b>
<b>Liabilities</b>					
Deposits from banks	544,984	117,033	533,300	-	<b>1,195,317</b>
Deposits from customers	621,108	243,000	1,085,275	624,722	<b>2,574,105</b>
Debt securities issued	-	-	1,745	-	<b>1,745</b>
Deferred tax liabilities	-	-	19,150	-	<b>19,150</b>
Other liabilities	6,488	5	3	132	<b>6,628</b>
<b>Total liabilities</b>	<b>1,172,580</b>	<b>360,038</b>	<b>1,639,473</b>	<b>624,854</b>	<b>3,796,945</b>
<b>Net position</b>	<b>16,403</b>	<b>371,312</b>	<b>(475,725)</b>	<b>454,966</b>	<b>366,956</b>
<b>Accumulated difference</b>	<b>16,403</b>	<b>387,715</b>	<b>(88,010)</b>	<b>366,956</b>	

**JOINT STOCK BANK “KYIVSKA RUS”**  
**Notes to the financial statements for the year ended 31<sup>st</sup> December 2008**  
*(UAH thousands)*

The Bank’s liquidity position as at 31<sup>st</sup> December 2007 was:

	<b>Up to 1 month</b>	<b>1 to 3 months</b>	<b>3 months to 1 year</b>	<b>Over 1 year</b>	<b>Total</b>
<b>Assets</b>					
Cash and cash equivalents	295,437	-	-	-	<b>295,437</b>
Loans and advances to banks	35,195	96,801	95,950	-	<b>227,946</b>
Loans and advances to customers	140,233	152,220	602,150	905,344	<b>1,799,947</b>
Securities available-for-sale	25	1,905	4,373	3,320	<b>9,623</b>
Property, equipment and intangible assets	99	2	-	125,092	<b>125,193</b>
Other assets	3,155	2	6	98	<b>3,261</b>
<b>Total assets</b>	<b>474,144</b>	<b>250,930</b>	<b>702,479</b>	<b>1,033,854</b>	<b>2,461,407</b>
<b>Liabilities</b>					
Deposits from banks	87,188	121,425	178,950	-	<b>387,563</b>
Deposits from customers	613,946	79,272	647,915	491,707	<b>1,832,840</b>
Debt securities issued	-	-	-	2,755	<b>2,755</b>
Current tax liabilities	-	1,354	-	-	<b>1,354</b>
Deferred tax liabilities	-	-	16,155	-	<b>16,155</b>
Subordinated liabilities	-	-	-	21,083	<b>21,083</b>
Other liabilities	1,322	1	2,800	1	<b>4,124</b>
<b>Total liabilities</b>	<b>702,456</b>	<b>202,052</b>	<b>845,820</b>	<b>515,546</b>	<b>2,265,874</b>
<b>Net position</b>	<b>(228,312)</b>	<b>48,878</b>	<b>(143,341)</b>	<b>518,308</b>	<b>195,533</b>
<b>Accumulated difference</b>	<b>(228,312)</b>	<b>(179,434)</b>	<b>(322,775)</b>	<b>195,533</b>	

**Market risk**

The Bank is exposed to market risk. Market risk arises from open positions as to interest rates and currency instruments affected by general and specific market changes. The Management sets limits as to acceptable risk level and controls its adherence on a daily basis.

**a) currency risk**

Currency risk lies in the negative influence of the exchange rate of one currency to the other on the inflows and Bank capital. The source of the currency risk is the open currency position that arises in the result of Bank’s performing transactions in different currencies.

Taking currency risk is a component of bank activity and a source of income. At the same time, taking unreasonable currency risk can threaten Bank inflows and capital. The main purpose of currency risk management is supporting it on the sufficient level.

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For currency risk valuation, the following items are calculated: the amount of the open currency position, possible losses amount at the Value-at-Risk method using the method of historical simulation. National currency is used as the base currency. The bank performs back-testing of the models and checks the adequacy of their work and the choice of the most adequate method and the best value of the historic period.

Currency risk management is performed by establishing limits:

- The limit of the open currency position balance of the whole bank and according to each subdivision;
- The limit of taking an independent decision by the Department of Treasury and financial markets;
- Stop-loss limit.

The Assets and Liabilities Management Committee performs credit risk management, establishes means of supporting the sufficient level of the currency position.

With the development of the instruments for currency risk hedging, the Bank carefully introduces these instruments for currency risk management.

The net open position is controlled daily by the Department of treasury and financial markets.

As at 31<sup>st</sup> December 2008 the Bank's currency positions were:

	<b>UAH</b>	<b>USD</b>	<b>Euro</b>	<b>Other</b>	<b>Total</b>
<b>Assets</b>					
Cash and cash equivalents	169,831	171,383	133,687	3,962	<b>478,863</b>
Loans and advances to banks	215,585	165,548	165,826	-	<b>546,959</b>
Loans and advances to customers	2,039,639	876,042	46,243	-	<b>2,961,924</b>
Securities available-for-sale	5,893	-	-	-	<b>5,893</b>
Investment property	5,953	-	-	-	<b>5,953</b>
Property, equipment and intangible assets	157,519	-	-	-	<b>157,519</b>
Current tax assets	194	-	-	-	<b>194</b>
Other assets	3,190	248	95	3,063	<b>6,596</b>
<b>Total assets</b>	<b>2,597,804</b>	<b>1,213,221</b>	<b>345,851</b>	<b>7,025</b>	<b>4,163,901</b>
<b>Liabilities</b>					
Deposits from banks	579,750	419,671	195,896	-	<b>1,195,317</b>
Deposits from customers	1,644,775	747,829	179,407	2,094	<b>2,574,105</b>
Debt securities issued	1,745	-	-	-	<b>1,745</b>
Deferred tax liabilities	19,150	-	-	-	<b>19,150</b>
Other liabilities	5,337	1,162	84	45	<b>6,628</b>
<b>Total liabilities</b>	<b>2,250,757</b>	<b>1,168,662</b>	<b>375,387</b>	<b>2,139</b>	<b>3,796,945</b>
<b>Net position</b>	<b>347,047</b>	<b>44,559</b>	<b>(29,536)</b>	<b>4,886</b>	<b>366,956</b>

**JOINT STOCK BANK “KYIVSKA RUS”**  
**Notes to the financial statements for the year ended 31<sup>st</sup> December 2008**  
*(UAH thousands)*

As at 31<sup>st</sup> December 2007 the Bank’s currency positions were:

	<b>UAH</b>	<b>USD</b>	<b>Euro</b>	<b>Other</b>	<b>Total</b>
<b>Assets</b>					
Cash and cash equivalents	192,904	85,076	16,359	1,098	<b>295,437</b>
Loans and advances to banks	187,490	40,456	-	-	<b>227,946</b>
Loans and advances to customers	1,341,107	429,397	29,395	48	<b>1,799,947</b>
Securities available-for-sale	9,623	-	-	-	<b>9,623</b>
Property, equipment and intangible assets	125,193	-	-	-	<b>125,193</b>
Other assets	3,174	80	7	-	<b>3,261</b>
<b>Total assets</b>	<b>1,859,491</b>	<b>555,009</b>	<b>45,761</b>	<b>1,146</b>	<b>2,461,407</b>
<b>Liabilities</b>					
Deposits from banks	186,408	190,390	10,765	-	<b>387,563</b>
Deposits from customers	1,436,371	359,467	36,155	847	<b>1,832,840</b>
Debt securities issued	2,755	-	-	-	<b>2,755</b>
Current tax liabilities	1,354	-	-	-	<b>1,354</b>
Deferred tax liabilities	16,155	-	-	-	<b>16,155</b>
Subordinated liabilities	21,083	-	-	-	<b>21,083</b>
Other liabilities	3,831	275	18	-	<b>4,124</b>
<b>Total liabilities</b>	<b>1,667,957</b>	<b>550,132</b>	<b>46,938</b>	<b>847</b>	<b>2,265,874</b>
<b>Net position</b>	<b>191,534</b>	<b>4,877</b>	<b>(1,177)</b>	<b>299</b>	<b>195,533</b>

The Bank issued loans in foreign currencies. Depending on the revenue stream of the borrower, the appreciation of the currencies against the Ukrainian hryvna may adversely affect the borrowers’ repayment ability and therefore increases the likelihood of future loan losses.

Strength of the following currencies by 10 % towards functional currency as at 31<sup>st</sup> December 2008 and 2007 would have increased/(decreased) profit and loss and equity of the Bank by the amounts stated below should other variables remain unchangeable:

	<b>31/12/2008</b>	31/12/2007
Net income		
USD	<b>4,456</b>	488
Euro	<b>(2,954)</b>	(118)

Weakness of these currencies towards the functional currency as at 31<sup>st</sup> December 2008 and 2007 would have had the same effect should all other variables remain unchangeable.

**JOINT STOCK BANK “KYIVSKA RUS”****Notes to the financial statements for the year ended 31<sup>st</sup> December 2008***(UAH thousands)***b) interest rate risk**

The Bank considers interest rate risk as the risk of decreasing net interest income and the risk of negative influence of the interest rate changes on the Bank inflows and capital.

Bank activity is characteristic of the interest rate risk. Taking interest rate risk gives potential possibilities of receiving additional profit; however, taking an unreasonable interest rate risk can threaten Bank inflows and capital. The main purpose of interest rate risk management is keeping it on the sufficient level. The procedures of interest rate risk management are identical for all currencies.

The following are used for interest rate risk valuation: gap-analysis of assets and liabilities sensitive to interest rate changes, simulation for valuation short-term vulnerability of net interest income, stress-testing for interest rate risk valuation in case of failure to meet basic assumptions regarding interest rate changes.

The interest rate risk is managed by the Assets and Liabilities Management Committee and the Risks department by means of establishing minimum loan interest rates and maximum deposits interest rates. The Bank establishes interest rates for basic categories of assets and liabilities according to separate currencies.

The Board of the Bank controls actual spread and net interest rate margin on a daily basis for meeting the established level, and takes adequate actions in case there is a tendency towards these indicators decreasing.

The following information relates to the average weighted interest rates on 2007 (2006) assets and liabilities that were subject to interest accrual:

%	31/12/2008			31/12/2007		
	UAH	EURO	USD	UAH	EURO	USD
<b>Assets</b>						
Loans and advances to banks	13.4	6.1	6.7	6.2	2.5	5.5
Loans and advances to customers	19.8	13.6	13.7	18.7	14.0	13.7
Боргові цінні папери, наявні для продажу	11.5	-	-	12.4	-	-
<b>Liabilities</b>						
Deposits from banks	12.1	5.9	7.1	6.7	4.5	6.0
Deposits from customers:	15.6	11.3	10.3	14.2	8.2	10.4
- current accounts	2.6	3.4	1.0	2.0	4.1	1.8
- deposits	16.1	11.3	9.9	14.0	10.7	8.6
Боргові цінні папери, емітовані банком	14.0	-	-	14.0	-	-

At the end of 2008 the base rate of the NBU was 12.0 % per annum (2007: 8.0%).

Estimated repayment or revaluation dates do not differ significantly from the dates fixed in the agreements. As such, the disclosure of detailed information on revaluation or repayment dates is not expedient.

**34. Reporting entity**

Joint Stock Bank Kyivska Rus is a company domiciled in Ukraine. The address of the Bank's registered office is 11-A Khoriva Street, 04071 Kiev, Ukraine. The Bank is primarily involved in corporate and retail banking.