

PRIVATBANK GROUP

**Condensed Consolidated Interim Financial
Information for the Nine Month Period
Ended 30 September 2012 (Unaudited)**

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Shareholders and Management Board of PrivatBank:

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Public Joint Stock Company Commercial Bank PrivatBank (the "Bank") and its subsidiaries (the "Group") as of 30 September 2012 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the nine-month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

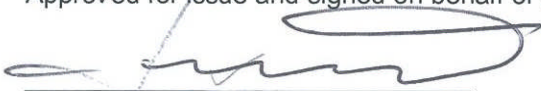
LLC AF PricewaterhouseCoopers (Audit)


26 December 2012
Kyiv, Ukraine

PrivatBank Group
Condensed Consolidated Interim Statement of Financial Position (Unaudited)

<i>In millions of Ukrainian hryvnias</i>	Note	30 September 2012 (unaudited)	31 December 2011
ASSETS			
Cash and cash equivalents and mandatory reserves	7	25,193	21,363
Due from other banks		7,725	4,648
Loans and advances to customers	8	117,240	107,430
Embedded derivatives	18	2,724	1,484
Investment securities available-for-sale		854	780
Investment securities held to maturity		189	24
Current income tax prepayment		4	6
Deferred income tax asset		74	32
Goodwill		47	47
Premises, leasehold improvements and equipment and intangible assets		3,634	3,318
Other financial assets		864	1,144
Other assets		727	655
TOTAL ASSETS		159,275	140,931
LIABILITIES			
Due to the NBU	9	4,786	5,825
Due to other banks and other financing institutions	9	4,271	2,453
Customer accounts	10	118,379	104,209
Debt securities in issue	11	7,314	5,600
Current income tax liability		65	60
Deferred income tax liability		1,124	1,181
Provisions for liabilities and charges, other financial and non-financial liabilities		1,033	1,000
Subordinated debt		1,382	1,418
TOTAL LIABILITIES		138,354	121,746
EQUITY			
Share capital	12	14,897	13,545
Share premium	12	20	20
Revaluation reserve for premises		557	571
Revaluation reserve of investment securities available-for-sale		214	-
Currency translation reserve		284	329
Retained earnings and other reserves		4,466	4,570
Net assets attributable to the Bank's owners		20,438	19,035
Non-controlling interest		483	150
TOTAL EQUITY		20,921	19,185
TOTAL LIABILITIES AND EQUITY		159,275	140,931

Approved for issue and signed on behalf of the Management Board on 26 December 2012.


Olexandr V. Dubilet
Chairman of the Board


Lubov J. Korotina
Chief Accountant

PrivatBank Group
Condensed Consolidated Interim Statement of Comprehensive Income (Unaudited)

	Note	Nine months ended 30 September 2012 (unaudited)	Nine months ended 30 September 2011 (unaudited)
<i>In millions of Ukrainian hryvnias</i>			
Interest income	13	14,680	14,123
Interest expense	13	(7,822)	(7,032)
Net interest income		6,858	7,091
Provision for impairment of loans and advances to customers	8	(4,672)	(4,301)
Net interest income after provision for impairment of loans and advances to customers		2,186	2,790
Fee and commission income	14	2,767	2,326
Fee and commission expense	14	(423)	(318)
Gains less losses from embedded derivatives		872	231
Gains less losses from trading in foreign currencies		553	393
Foreign exchange translation losses less gains		(36)	(117)
Reversal of impairment/(impairment) of investment securities available-for-sale		9	(16)
Provision for credit related commitments	17	(26)	(5)
Other operating income		120	65
Other gains less losses		7	133
Administrative and other operating expenses	15	(4,956)	(4,421)
Profit before tax		1,073	1,061
Income tax expense		(56)	(55)
Profit for the period		1,017	1,006
Other comprehensive income:			
Revaluation of investment securities available-for-sale		214	-
Exchange differences on translation to presentation currency		(11)	18
Other comprehensive income for the period		203	18
Total comprehensive income for the period		1,220	1,024
Profit/(loss) is attributable to			
Owners of the Bank		1,038	1,040
Non-controlling interest		(21)	(34)
Profit for the period		1,017	1,006
Total comprehensive income/(loss) is attributed to:			
Owners of the Bank		1,252	1,057
Non-controlling interest		(32)	(33)
Total comprehensive income for the period		1,220	1,024

The notes set out on pages 6 to 31 form an integral part of this condensed consolidated interim financial information.

PrivatBank Group
Condensed Consolidated Interim Statement of Changes in Equity (Unaudited)

	Note	Attributable to Owners of the Bank						Total	Non-controlling interest	Total equity
		Share capital	Share premium	Revaluation reserve for premises	Revaluation reserve of investment securities available-for-sale	Currency translation reserve	Retained earnings and other reserves			
<i>In millions of Ukrainian hryvnias</i>										
Balance at 1 January 2011		8,860	-	518	-	341	4,326	14,045	124	14,169
Profit/(loss) for the period		-	-	-	-	-	1,040	1,040	(34)	1,006
Currency translation differences		-	-	-	-	17	-	17	1	18
Total comprehensive income/(loss) for the period		-	-	-	-	17	1,040	1,057	(33)	1,024
Paid-in share capital	12	3,385	20	-	-	-	-	3,405	-	3,405
Capitalisation of dividends	12	1,300	-	-	-	-	(1,300)	-	-	-
Other changes in interest attributable to owners of the Bank and non-controlling interest		-	-	-	-	-	-	-	(6)	(6)
Balance at 30 September 2011		13,545	20	518	-	358	4,066	18,507	85	18,592

PrivatBank Group
Condensed Consolidated Interim Statement of Changes in Equity (Unaudited)

	Note	Attributable to Owners of the Bank						Total	Non- controlling interest	Total equity
		Share capital	Share premium	Revaluation reserve for premises	Revaluation reserve of investment securities available-for-sale	Currency translation reserve	Retained earnings and other reserves			
<i>In millions of Ukrainian hryvnias</i>										
Balance at 1 January 2012		13,545	20	571	-	329	4,570	19,035	150	19,185
Profit/(loss) for the period		-	-	-	-	-	1,038	1,038	(21)	1,017
Revaluation of investment securities available-for-sale, net of tax		-	-	-	214	-	-	214	-	214
Currency translation differences		-	-	-	-	-	-	-	(11)	(11)
Total comprehensive income/(loss) for the period		-	-	-	214	-	1,038	1,252	(32)	1,220
Capitalisation of dividends	12	1,352	-	-	-	-	(1,352)	-	-	-
Other changes in interest attributable to owners of the Bank and non-controlling interest		-	-	(14)	-	(45)	210	151	365	516
Balance at 30 September 2012		14,897	20	557	214	284	4,466	20,438	483	20,921

PrivatBank Group
Condensed Consolidated Interim Statement of Cash Flows (Unaudited)

	Note	Nine months ended 30 September 2012 (unaudited)	Nine months ended 30 September 2011 (unaudited)
<i>In millions of Ukrainian hryvnias</i>			
Cash flows from operating activities			
Interest received		14,170	13,636
Interest paid		(7,623)	(6,874)
Fees and commissions received		2,767	2,326
Fees and commissions paid		(423)	(318)
Income received from embedded derivatives		215	558
Income received/(loss incurred) from derivatives arising from swap, forward and spot transactions		13	103
Income received from trading in foreign currencies		553	393
Other operating income received		120	65
Staff costs paid		(2,535)	(2,481)
Administrative and other operating expenses paid, except for staff costs paid		(2,113)	(1,639)
Income tax paid		(175)	(221)
Cash flow from operating activities before changes in operating assets and liabilities		4,969	5,548
Changes in operating assets and liabilities			
Net increase in mandatory reserve balances		(468)	(393)
Net (increase)/decrease in due from other banks		(3,038)	72
Net increase in loans and advances to customers		(14,525)	(24,011)
Net decrease/(increase) in other financial assets		282	(127)
Net increase in other assets		(70)	(116)
Net decrease in due to the NBU		(1,039)	(1,115)
Net increase/(decrease) in due to other banks and other financing institutions		1,811	(954)
Net increase in customer accounts		13,811	19,421
Net decrease in provisions for liabilities and charges, other financial and non-financial liabilities		(29)	(19)
Net cash from/(used in) operating activities		1,704	(1,694)
Cash flows from investing activities			
Acquisition of investment securities available-for-sale		-	(946)
Proceeds from redemption of investment securities available-for-sale		119	-
Acquisition of investment securities held to maturity		(165)	-
Proceeds from redemption of investment securities held to maturity		-	512
Proceeds from disposal of premises, leasehold improvements and equipment		110	72
Acquisition of premises, leasehold improvements and equipment		(685)	(473)
Net cash used in investing activities		(621)	(835)
Cash flows from financing activities			
Issue of ordinary shares		-	3,405
Cash inflows on transactions with non-controlling interest		510	41
Proceeds from debt securities issued		5,510	-
Repayment and repurchase of debt securities issued		(3,809)	(385)
Net cash from financing activities		2,211	3,061
Effect of exchange rate changes on cash and cash equivalents		68	(390)
Net increase in cash and cash equivalents		3,362	142
Cash and cash equivalents at the beginning of the year		18,590	17,491
Cash and cash equivalents at the end of the period	7	21,952	17,633

Financing transactions that did not require the use of cash and cash equivalents and were excluded from the consolidated statement of cash flows are disclosed in Note 7.

1 Introduction

This condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" for the nine months ended 30 September 2012 for PJSC Commercial Bank PrivatBank (the "Bank") and its subsidiaries (together referred to as the "Group" or "PrivatBank Group").

The Bank was initially registered as a commercial entity with limited liability, re-organised into a closed joint stock entity in 2000. In 2009 the Bank changed its legal form to a public joint stock company limited by shares in accordance with changes in Ukrainian legislation. As of 30 September 2012 and 31 December 2011 the ultimate major shareholders of the Bank were Mr I.V. Kolomoyskiy and Mr G.B. Bogolyubov who as of 30 September 2012 owned directly or indirectly respectively 46.26% (31 December 2011: 46.25%) and 46.33% (31 December 2011: 46.25%) of the outstanding shares and neither of which individually controlled the Bank. The major shareholders of the Bank do not have a contractual agreement on joint control of the Bank.

Chairman of the Supervisory Board:	Mr. G.B. Bogolyubov
Members of the Supervisory Board:	Mr. I.V. Kolomoyskiy
	Mr. A.G. Martynov

As of the date of issuing of the consolidated interim financial information composition of the Management Board was as follows:

Chairman of the Management Board:	Mr. A.V. Dubilet
Members of the Management Board:	
General Deputy Chairman of the Management Board:	Mr. Y.P. Pikush
First Deputy Chairman of the Management Board:	Mr. V.A. Yatsenko
	Mr. T.Y. Novikov
	Mr. N.A. Volkov
Deputy Chairman of the Management Board:	Mr. Y.V. Kandaurov
	Mrs. L.I. Chmona
	Mrs. T.M. Gurieva
	Mrs. L.A. Shmalchenko
	Mr. O.V. Gorohovskiy
	Mr. V.G. Zavorotniy
	Mr. A.P. Vitiaz
	Mr. S.V. Kryzhanovskiy
	Mr. D.A. Dubilet
Chief Accountant:	Mrs. L.I. Korotina
Head of Financial Monitoring Department:	Mr. I.L. Terekhin

Principal activity. The Bank's principal business activity is commercial and retail banking operations within Ukraine. The Bank has operated under a full banking licence issued by the National Bank of Ukraine (the "NBU") since March 1992. The Bank participates in the state deposit insurance scheme (registration #113 dated 2 September 1999), which operates according to the Law №2740-III "On Individuals Deposits Guarantee Fund" dated 20 September 2001 (as amended). Individuals Deposits Guarantee Fund guarantees repayment of individual deposits up to UAH 200 thousand (31 December 2011: UAH 150 thousand) per individual in case bank liquidation procedure is started.

As of 30 September 2012 the Bank had 34 branches and 3,375 outlets within Ukraine and a branch in Cyprus (31 December 2011: 34 branches, 3,362 outlets in Ukraine and a branch in Cyprus). Additionally, as of 30 September 2012 and 31 December 2011 the Bank had subsidiary banks in the Russian Federation, Latvia, Georgia and representative offices in Kyiv (Ukraine), Moscow (Russia), Almaty (Kazakhstan), London (United Kingdom) and Beijing (China), other small subsidiary companies in Ukraine and three consolidated special purpose entities in the United Kingdom.

1 Introduction (Continued)

The principal subsidiaries included in the consolidated interim financial information, were as follows:

Name	Nature of business	Country of registration	Percentage of legal interest in subsidiary	
			30 September 2012	31 December 2011
Moscomprivatbank	Banking	Russian Federation	59.33%	92.34%
JSC PrivatBank	Banking	Georgia	50.30%	50.30%
AS PrivatBank	Banking	Latvia	50.02%	75.02%

As a result of additional capital increase in 2012, the share of the Group in Moscomprivatbank was decreased from 92.34% as of 31 December 2011 to 59.33% as of 30 September 2012. As a result of additional capital increase and sale of shares in 2012, the share of the Group in AS PrivatBank Latvia was decreased from 75.02% as of 31 December 2011 to 50.02% as of 30 September 2012.

Registered address and place of business. The Bank's registered address is:

50, Naberezhna Peremohy Str.,
49094, Dnipropetrovsk,
Ukraine.

Presentation currency. This condensed consolidated interim financial information is presented in millions of Ukrainian hryvnias ("UAH million"), unless otherwise stated.

2 Operating Environment of the Group

Ukraine displays certain characteristics of an emerging market, including but not limited to, the existence of a currency that is not freely convertible outside of Ukraine, restrictive currency controls, relatively high inflation and high interest rates.

The latest global financial crisis has had a severe effect on the Ukrainian economy and the financial situation in the Ukrainian financial and corporate sectors significantly deteriorated since mid-2008. In 2010, 2011 and during nine months of 2012, the Ukrainian economy experienced a moderate recovery of economic growth. The recovery was accompanied by lower refinancing rates and stabilisation of the exchange rate of the Ukrainian hryvnia against major foreign currencies. Money market liquidity levels increased in 2010 and in the first half of 2011, but the second half of 2011 and during nine months of 2012 the banking sector again experienced liquidity constraints.

The ongoing international sovereign debt crisis, stock market volatility and other risks could have a negative effect on the Ukrainian financial and corporate sectors.

Borrowers of the Group were adversely affected by the financial and economic environment, which in turn impacted their ability to repay the amounts owed. Some loans to customers were issued in foreign currencies, UAH depreciation against these currencies had a significant impact on borrowers' ability to service these loans. Deteriorating economic conditions for borrowers were reflected in revised estimates of expected future cash flows in impairment assessments.

The amount of provision for impaired loans is based on management's estimates of these assets at the end of the reporting period after taking into consideration the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

The market in Ukraine for many types of collateral, especially real estate, has been severely affected by the volatile global financial markets, resulting in a low level of liquidity for certain types of assets. In some cases the Bank has also experienced unforeseeable delays in recovering collateral. As a result, the actual realisable value on future foreclosure may differ from the value ascribed in estimating allowances for impairment at the end of the reporting period.

2 Operating Environment of the Group (Continued)

Management determined loan impairment provisions by considering the economic situation and outlook at the end of the reporting period and applied the 'incurred loss' model required by the applicable accounting standards. These standards require recognition of impairment losses that arose from past events and prohibit recognition of impairment losses that could arise from future events, no matter how likely those future events are. Refer to Note 4.

The tax, currency and customs legislation within Ukraine is subject to varying interpretations and frequent changes. The need for further developments in the bankruptcy laws, formalised procedures for the registration and enforcement of collateral, and other legal and fiscal impediments continue to contribute to the challenges faced by banks operating in Ukraine.

The future economic development of Ukraine is dependent upon external factors and internal measures undertaken by the government to sustain growth, and to change the tax, legal and regulatory environment. Management believes it is taking all necessary measures to support the sustainability and development of the Group's business in the current business and economic environment.

3 Basis of Preparation and Summary of Significant Accounting Policies

Basis of Preparation. This condensed consolidated interim financial information for the nine months ended 30 September 2012 has been prepared in accordance with IAS 34 "Interim Financial Reporting". This condensed consolidated interim financial information should be read in conjunction with the Bank's annual consolidated financial statements for the year ended 31 December 2011, which have been prepared in accordance with IFRSs.

The Bank operates in an industry where significant seasonal or cyclical variations in operating income are not experienced during the financial year.

The accounting policies and methods of computation adopted in the preparation of the condensed consolidated interim financial information are consistent with those followed in the preparation of the Bank's annual consolidated financial statements for the year ended 31 December 2011, except as noted below and for adoption of the new standards and interpretations as described in Note 5.

Any further changes to this condensed consolidated interim financial information require approval of the Management Board who authorised this condensed consolidated interim financial information for issue.

Income taxes. Income tax expense is recognised in each interim period based on the best estimate of the weighted average effective annual income tax rate expected for the full financial year. Amounts accrued for income tax expense in one interim period may have to be adjusted in a subsequent interim period of that financial year if the estimate of the weighted average effective annual income tax rate changes. Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings; that is, the estimated average annual effective income tax rate is applied to the pre-tax income of the interim period.

Foreign currency translation. The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The functional currency of the Bank, and the Group's presentation currency, is the national currency of Ukraine, Ukrainian hryvnia ("UAH").

The principal rates of exchange used for translating foreign currency balances were as follows:

	30 September 2012, UAH	31 December 2011, UAH
1 US Dollar (USD)	7.993000	7.989800
1 Euro (EUR)	10.290188	10.298053
1 Russian Ruble (RUB)	0.256230	0.249530
1 Latvian Lat (LVL)	14.778383	14.732551
1 Georgian Lari (GEL)	4.829899	4.818006

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated interim financial information and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated interim financial information and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Impairment losses on loans and advances. The Group regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in profit or loss for the year, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. A 10% increase or decrease in actual loss experience compared to the loss estimates used would result in an increase or decrease in loan impairment losses of UAH 681 million or UAH 681 million (30 September 2011: an increase or decrease in loan impairment losses of UAH 716 million or UAH 716 million), respectively. Impairment losses for individually significant loans are based on estimates of discounted future cash flows of the individual loans, taking into account repayments and realisation of any assets held as collateral against the loans. A 10% increase or decrease in the actual loss experience compared to the estimated future discounted cash flows from individually significant loans, which could arise from differences in amounts and timing of the cash flows, would result in an increase or decrease in loan impairment losses of UAH 944 million or UAH 1,215 million (30 September 2011: increase or decrease in loan impairment losses of UAH 653 million or UAH 785 million), respectively.

Assessment of loans and advances issued to a group of borrowers-oil traders for impairment. The Group regularly reviews its outstanding loans and advances issued to the oil traders who are engaged in wholesale and retail sale of petrol, oil and oil products. Certain of these companies work closely with each other. As of 30 September 2012 gross amount of such loans was UAH 39,438 million (2011: UAH 39,436 million). In determining whether an impairment loss should be recorded in profit or loss for the year, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans issued to oil traders before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in an oil traders group, or regulatory, industry or national economic conditions that correlate with defaults on assets in the oil traders group. Management uses estimates based on historical loss experience for assets with credit risk flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. The fair value of collateral substantially contributes to the assessment of whether there is an impairment of loans issued to oil traders. Refer to Note 8.

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

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

Fair value of derivatives. The fair values of financial derivatives that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair values.

As of 30 September 2012 the Bank had loans and advances to customers totalling UAH 77,653 million (31 December 2011: UAH 67,715 million) issued in UAH with the condition of compensation to be received by the Bank in the event that the official exchange rate of UAH depreciates against USD. The contract to receive compensation was accounted for by the Bank as an embedded derivative with the fair value of UAH 2,724 million as of 30 September 2012 (31 December 2011: UAH 1,484 million) estimated using a valuation technique. This valuation technique takes into account expected movements in exchange rates, discount factor and credit risk. Changing the assumptions about expected exchange rates may result in a different profit. All contracts mature from 2012 to 2014, inclusive. If the expected UAH/USD exchange rate for these years would be higher/lower by 5%, the fair value of the derivative and profit or loss would increase by UAH 6,435 million and decrease by UAH 205 million (30 September 2011: 5%; increase by UAH 4,058 million and decrease by UAH 514 million). If the discount rate used for fair valuation of the derivatives as of 30 September 2012 would be higher/lower by 100 basis points, the fair value of the derivative and profit or loss would decrease/increase by UAH 22 million (30 September 2011: UAH 11 million). If the credit risk of counterparties as of 30 September 2012 would be higher/lower by 10%, the fair value of the derivative and profit or loss would decrease/increase by UAH 127 million (30 September 2011: UAH 89 million). Refer to Note 18. Analysis of deviation of sensitivity of fair value of derivative is done for each estimate separately not taking into the account changes in other estimates.

Tax legislation. Ukrainian and Russian tax, currency and customs legislation is subject to varying interpretations.

5 Adoption of New or Revised Standards and Interpretations

The following new standards and interpretations became effective for the Group from 1 January 2012:

“Disclosures—Transfers of Financial Assets” – Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party, yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised, but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood. The standard requires these new disclosures to be presented in a separate note. The amendments did not have any impact on this condensed consolidated interim financial information.

Other revised standards and interpretations: The amendment to IAS 12 “Income taxes”, which introduced a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale, did not have an impact on this condensed consolidated interim financial information.

6 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2013 or later, and which the Group has not early adopted.

Improvements to International Financial Reporting Standards (issued in May 2012 and effective for annual periods beginning 1 January 2013). The improvements consist of changes to five standards. IFRS 1 was amended to (i) clarify that an entity that resumes preparing its IFRS financial statements may either repeatedly apply IFRS 1 or apply all IFRSs retrospectively as if it had never stopped applying them, and (ii) to add an exemption from applying IAS 23 “Borrowing costs”, retrospectively by first-time adopters. IAS 1 was amended to clarify that explanatory notes are not required to support the third balance sheet presented at the beginning of the preceding period when it is provided because it was materially impacted by a retrospective restatement, changes in accounting policies or reclassifications for presentation purposes, while explanatory notes will be required when an entity voluntarily decides to provide additional comparative statements. IAS 16 was amended to clarify that servicing equipment that is used for more than one period is classified as property, plant and equipment rather than inventory. IAS 32 was amended to clarify that certain tax consequences of distributions to owners should be accounted for in the income statement as was always required by IAS 12. IAS 34 was amended to bring its requirements in line with IFRS 8. IAS 34 will require disclosure of a measure of total assets and liabilities for an operating segment only if such information is regularly provided to chief operating decision maker and there has been a material change in those measures since the last annual consolidated financial statements. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12 (issued in June 2012 and effective for annual periods beginning 1 January 2013). The amendments clarify the transition guidance in IFRS 10 “Consolidated Financial Statements”. Entities adopting IFRS 10 should assess control at the first day of the annual period in which IFRS 10 is adopted, and if the consolidation conclusion under IFRS 10 differs from IAS 27 and SIC 12, the immediately preceding comparative period (that is, year 2012 for a calendar year-end entity that adopts IFRS 10 in 2013) is restated, unless impracticable. The amendments also provide additional transition relief in IFRS 10, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosure of Interests in Other Entities”, by limiting the requirement to provide adjusted comparative information only for the immediately preceding comparative period. Further, the amendments will remove the requirement to present comparative information for disclosures related to unconsolidated structured entities for periods before IFRS 12 is first applied. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

6 New Accounting Pronouncements (Continued)

Amendments to IFRS 1 “First-time adoption of International Financial Reporting Standards - Government Loans” (issued in March 2012 and effective for annual periods beginning 1 January 2013). The amendments, dealing with loans received from governments at a below market rate of interest, give first-time adopters of IFRSs relief from full retrospective application of IFRSs when accounting for these loans on transition. This will give first-time adopters the same relief as existing preparers. The amendments will not have an impact on its consolidated financial statements.

Other revised standards and interpretations: IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine”, considers when and how to account for the benefits arising from the stripping activity in mining industry. The interpretation will not have an impact on the Group's consolidated financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment entities (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014). The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity will be required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities.

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

7 Cash and Cash Equivalents and Mandatory Reserves

<i>In millions of Ukrainian hryvnias</i>	30 September 2012 (unaudited)	31 December 2011
Cash on hand	4,707	3,749
Cash balances with the NBU	3,372	2,424
Cash balances with the Central Bank of Russian Federation	1,729	1,507
Cash balances with the Central Bank of Latvia	1,102	492
Cash balances with the Central Bank of Cyprus	124	258
Cash balances with the Central Bank of Georgia	419	248
Correspondent accounts and overnight placements with other banks		
- Ukraine	173	191
- Other countries	13,567	12,494
Total cash and cash equivalents and mandatory reserves	25,193	21,363

As of 30 September 2012 the required mandatory reserve balance with the National Bank of Ukraine is calculated on the basis of a simple average over a monthly period (31 December 2011: simple average over a monthly period) and should be maintained at the level of 0 to 10 per cent (31 December 2011: 0 to 8 per cent) of certain obligations of the Bank depending on its maturity and currency. As such, mandatory reserve balance with the National Bank of Ukraine can vary from day-to-day. As of 30 September 2012 the Bank's mandatory reserve balance was UAH 2,531 million (December 2011: UAH 2,091 million).

As of 30 September 2012 in accordance with the NBU regulations the Bank was required to maintain the balance on accounts with the NBU at the level of 100% (31 December 2011: 95%) of the mandatory reserve balance for the preceding month. The Bank will not be subject to any sanctions if it fails to comply with the required minimum balance on the correspondent account less than 10 times within a 3 month period. As of 30 September 2012 it was also required to maintain the balance on the separate account with the NBU at the level not less than 50% of the mandatory reserves balance for the preceding month (31 December 2011: not less than 70% of the mandatory reserves balance for the preceding month), as a part of the total required level of mandatory reserves; the amount is subject to interest payments from the side of the NBU at a rate of 2.250% (30% of the NBU official interest rate), provided that the Bank is in compliance with the mandatory reserve requirements (31 December 2011: the interest was 2.325%, which was calculated as 30% of the NBU official interest rate).

7 Cash and Cash Equivalents and Mandatory Reserves (Continued)

In addition, Ukrainian banks are required to keep other mandatory reserves on a separate account with the NBU for:

- impairment provisions (determined according to the NBU requirements) created for loans granted in foreign currency to borrowers with no foreign currency income;
- foreign currency deposits and loans received from non-residents for a period of less than 183 calendar days.

As of 30 September 2012 this reserve of UAH 20 million (31 December 2011: UAH 56 million) has been placed on a separate account.

As of 30 September 2012 the mandatory reserve balances of the Bank's subsidiaries in Russia, Latvia, Cyprus and Georgia that should be kept with respective central banks were UAH 690 million (31 December 2011: mandatory reserves in Russia, Latvia, Cyprus and Georgia were UAH 731 million).

As the respective liquid assets are not freely available to finance the Bank's day-to-day operations, for the purposes of the consolidated cash flow statement, the mandatory reserve balance is excluded from cash and cash equivalents of UAH 3,241 thousand, that is 100% of the mandatory reserve balance with the NBU and other Central Banks (31 December 2011: UAH 2,773 million, that is 95% of the mandatory reserve balance with the NBU and 100% of the mandatory reserve balance with other Central Banks).

<i>In millions of Ukrainian hryvnias</i>	30 September 2012 (unaudited)	31 December 2011
Total cash and cash equivalents and mandatory reserves	25,193	21,363
Less mandatory reserves balances	(3,241)	(2,773)
Cash and cash equivalents for the purposes of the consolidated statement of cash flows	21,952	18,590

As of 30 September 2012 mandatory reserve balance with the NBU of UAH 1,294 million (31 December 2011: UAH 484 million) have been pledged as a collateral for the refinancing loan received from the NBU. Refer to Notes 9 and 17.

Financing transactions that did not require the use of cash and cash equivalents and were excluded from the consolidated statement of cash flows are as follows:

<i>In millions of Ukrainian hryvnias</i>	Nine months ended 30 September 2012 (unaudited)	Nine months ended 30 September 2011 (unaudited)
Non-cash financing activities		
Dividends	(1,352)	(1,300)
Increase in share capital	1,352	1,300
Non-cash financing activities	-	-

8 Loans and Advances to Customers

<i>In millions of Ukrainian hryvnias</i>	30 September 2012 (unaudited)	31 December 2011
Corporate loans	108,807	96,825
Loans to individuals - card	18,842	16,817
Loans to individuals - mortgage	4,529	4,997
Loans to individuals - other	1,047	928
Loans to individuals - consumer	1,046	966
Loans to individuals - auto	867	1,454
Loans to small and medium enterprises (SME)	1,173	1,393
Less: Provision for loan impairment	(19,071)	(15,950)
Total loans and advances to customers	117,240	107,430

As of 30 September 2012 interest income of UAH 1,557 million (31 December 2011: UAH 1,113 million) was accrued on loans and advances to customers impaired at the end of the reporting period.

Movements in the provision for loan impairment for the nine month period ended 30 September 2012 are as follows:

<i>In millions of Ukrainian hryvnias</i>	Corporate loans	Loans to individuals					SME	Total
		Card	Mortgage	Auto	Consumer	Other		
Provision for loan impairment at 1 January 2012	13,740	618	1,061	254	12	21	244	15,950
Provision for impairment during the period	3,746	825	8	183	42	196	167	5,167
Amounts written off during the period as uncollectible	(1,016)	(405)	(86)	(260)	(36)	(61)	(186)	(2,050)
Currency translation differences	-	4	-	-	-	-	-	4
Provision for loan impairment at 30 September 2012	16,470	1,042	983	177	18	156	225	19,071

The provision for impairment for the nine month period ended 30 September 2012 differs from the amount presented in profit or loss for the period due to UAH 495 million recoveries of amounts previously written off as uncollectible. The amount of the recovery was credited directly to provisions in the statement of comprehensive income for the nine month period ended 30 September 2012.

Movements in the provision for loan impairment for the nine month period ended 30 September 2011 are as follows:

<i>In millions of Ukrainian hryvnias</i>	Corporate loans	Loans to individuals					SME	Total
		Card	Mortgage	Auto	Consumer	Other		
Provision for loan impairment at 1 January 2011	9,620	347	1,330	425	6	196	557	12,481
Provision/(reversal of provision) for impairment during the period	3,532	538	80	165	14	(136)	225	4,418
Amounts written off during the period as uncollectible	(470)	(252)	(303)	(297)	(9)	(10)	(473)	(1,814)
Currency translation differences	(23)	(11)	9	-	-	-	(1)	(26)
Provision for loan impairment at 30 September 2011	12,659	622	1,116	293	11	50	308	15,059

8 Loans and Advances to Customers (Continued)

The provision for impairment for the nine month period ended 30 September 2011 differs from the amount presented in profit or loss for the period due to UAH 117 million recoveries of amounts previously written off as uncollectible. The amount of the recovery was credited directly to provisions in the statement of comprehensive income for the nine month period ended 30 September 2011.

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

<i>In millions of Ukrainian hryvnias</i>	30 September 2012 (unaudited)		31 December 2011	
	Amount	%	Amount	%
Oil trading	39,438	29	39,436	32
Loans to individuals	26,331	19	25,162	20
Manufacturing and chemicals	13,994	10	10,485	8
Ferroalloy trading and production	12,707	9	10,937	9
Agriculture, agricultural machinery and food industry	12,134	9	14,049	11
Commerce, finance and securities trading	11,575	9	8,756	7
Ski resorts, tourism and football clubs	5,384	4	4,178	4
Air transportation	5,284	4	2,394	2
Real estate construction	5,246	4	4,791	4
Small and medium enterprises (SME)	1,173	1	1,393	1
Other	3,045	2	1,799	2
Total loans and advances to customers (before impairment)	136,311	100	123,380	100

Disclosed in oil trading industry are UAH 39,438 million or 29% of gross loans and advances, (31 December 2011: UAH 39,436 million or 32%) issued to companies engaged in wholesale and retail sale of petrol, oil and oil products. Certain of these companies work closely with each other. As of 30 September 2012 loans issued to these companies of UAH 38,925 million (31 December 2011: UAH 39,436 million) were collateralised with inventory of oil, gas and oil products of the collateral value of UAH 2,018 million (31 December 2011: UAH 2,727 million), property rights for advances made by borrowers of UAH 2,028 million (31 December 2011: UAH 3,480 million) and corporate rights for shares in the share capital of borrowers and their guarantors with the collateral value of UAH 31,514 million (31 December 2011: UAH 31,499 million). Collateral value of corporate rights for shares was determined based on the fair value of petrol stations, petrol storages, oil refineries and gas and oil production fields owned by these borrowers, their shareholders and guarantors. Collateral agreements are concluded under the UK Law. The fair value of collateral substantially contributes to the assessment of whether there is an impairment of loans issued to oil traders.

Apart from the loans issued to related parties, disclosed in the Note 19, the Group has loans issued to the entities in which major shareholders of the Bank individually directly or through intermediaries beneficially own less than 50% of the share capital, however that ownership does not allow these entities to be treated as related to the Group in accordance with the IAS 24 "Related party disclosure" (as revised in November 2009).

As of 30 September 2012 the total aggregate amount of loans to the top 10 borrowers of the Group amounted to UAH 12,070 million (31 December 2011: UAH 14,774 million) or 9% of the gross loan portfolio (31 December 2011: 12%).

As of 30 September 2012 the Group had 1 borrower (31 December 2011: 1 borrower) with aggregate loan balances in excess of 10% of the net assets or UAH 2,092 million (31 December 2011: UAH 1,919 million). The total aggregate amount of these loans was UAH 2,702 million (31 December 2011: UAH 2,843 million).

As of 30 September 2012 mortgage loans of UAH 334 million (31 December 2011: UAH 383 million) have been pledged as collateral with respect to the mortgage bonds issued. Refer to Notes 11 and 17.

8 Loans and Advances to Customers (Continued)

As of 30 September 2012 loans issued to two corporate borrowers (31 December 2011: two corporate borrowers) of UAH 668 million (31 December 2011: UAH 675 million) were pledged as collateral under the NBU refinancing. Refer to Notes 9 and 17.

As at 30 September 2012 the Group has USD denominated loans in the equivalent of UAH 1,598 million, proceeds from which in the amount of UAH 1,485 million are held on the current accounts with the Group. Balances on the current accounts are pledged for the loans issued.

As of 30 September 2012 the Group issued loans of UAH 264 million to two corporate borrowers that placed UAH 263 million on the current account with the Bank. As of 30 September 2012 balances on the current accounts were not pledged under the loans issued.

Analysis by credit quality of loans outstanding as at 30 September 2012 is as follows:

<i>In millions of Ukrainian hryvnias</i>	Corporate loans	Loans to individuals					SME	Total
		Card	Mortgage	Auto	Consumer	Other		
<i>Neither past due nor impaired</i>								
- Large borrowers with credit history with the Group over two years	54,349	-	-	-	-	413	-	54,762
- Large new borrowers with credit history with the Group less than 2 years	13,937	-	-	-	-	-	-	13,937
- Loans to medium size borrowers	7,124	-	-	-	-	142	28	7,294
- Loans to small borrowers	412	-	-	-	-	-	431	843
- Loans between UAH 1-100 million	-	26	157	-	-	-	-	183
- Loans less than UAH 1 million	-	16,491	1,572	411	962	201	-	19,637
Total neither past due nor impaired	75,822	16,517	1,729	411	962	756	459	96,656
<i>Past due but not impaired</i>								
- less than 30 days overdue	73	965	171	46	37	23	40	1,355
- 30 to 90 days overdue	1,482	402	117	38	20	11	42	2,112
Total past due but not impaired	1,555	1,367	288	84	57	34	82	3,467
<i>Loans individually determined to be impaired (gross)</i>								
- Not overdue	25,717	-	3	-	-	204	-	25,924
- less than 30 days overdue	70	-	6	1	-	-	-	77
- 30 to 90 days overdue	2,802	-	8	1	-	-	-	2,811
- 90 to 180 days overdue	1,343	359	104	32	21	7	35	1,901
- 180 to 360 days overdue	994	465	152	38	6	2	75	1,732
- over 360 days overdue	504	134	2,239	300	-	44	522	3,743
Total individually impaired loans (gross)	31,430	958	2,512	372	27	257	632	36,188
Less impairment provisions	(16,470)	(1,042)	(983)	(177)	(18)	(156)	(225)	(19,071)
Total loans and advances to customers	92,337	17,800	3,546	690	1,028	891	948	117,240

PrivatBank Group
Selected Explanatory Notes to the Condensed Consolidated Interim Financial Information for the Nine Month Period Ended 30 September 2012 (Unaudited)
8 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans outstanding at 31 December 2011 is as follows:

<i>In millions of Ukrainian hryvnias</i>	Corporate loans	Loans to individuals					SME	Total
		Card	Mortgage	Auto	Consumer	Other		
<i>Neither past due nor impaired</i>								
- Large borrowers with credit history with the Group over two years	22,685	-	-	-	-	370	-	23,055
- Large new borrowers with credit history with the Group less than 2 years	41,724	-	-	-	-	-	-	41,724
- Loans to medium size borrowers	7,079	-	-	-	-	149	71	7,299
- Loans to small borrowers	655	-	-	-	-	-	452	1,107
- Loans between UAH 1-100 million	-	5	239	25	-	-	-	269
- Loans less than UAH 1 million	-	14,988	1,898	701	911	301	-	18,799
Total neither past due nor impaired	72,143	14,993	2,137	726	911	820	523	92,253
<i>Past due but not impaired</i>								
- less than 30 days overdue	109	884	158	74	25	33	56	1,339
- 30 to 90 days overdue	114	340	139	58	13	10	45	719
Total past due but not impaired	223	1,224	297	132	38	43	101	2,058
<i>Loans individually determined to be impaired (gross)</i>								
- Not overdue	22,142	-	14	-	-	-	-	22,156
- less than 30 days overdue	1,096	-	10	-	-	-	-	1,106
- 30 to 90 days overdue	490	1	24	-	-	-	-	515
- 90 to 180 days overdue	53	249	87	55	12	10	37	503
- 180 to 360 days overdue	203	193	141	61	3	8	92	701
- over 360 days overdue	475	157	2,287	480	2	47	640	4,088
Total individually impaired loans (gross)	24,459	600	2,563	596	17	65	769	29,069
Less impairment provisions	(13,740)	(618)	(1,061)	(254)	(12)	(21)	(244)	(15,950)
Total loans and advances to customers	83,085	16,199	3,936	1,200	954	907	1,149	107,430

The Group applied the portfolio provisioning methodology prescribed by IAS 39, *Financial Instruments: Recognition and Measurement*, and created portfolio provisions for impairment losses that were incurred but have not been specifically identified with any individual loan by the end of reporting period. The Group's policy is to classify each loan as 'neither past due nor impaired' until specific objective evidence of impairment of the loan is identified. The impairment provisions may exceed the total gross amount of individually impaired loans as a result of this policy and the portfolio impairment methodology.

The primary factors that the Group considers in determining whether a loan is impaired are its overdue status, a significant financial difficulty as evidenced by the borrower's financial information and realisability of related collateral, if any. As a result, the Group presents above an ageing analysis of loans that are individually determined to be impaired.

8 Loans and Advances to Customers (Continued)

Past due but not impaired loans, represent collateralised loans where the fair value of collateral covers the overdue interest and principal repayments, except for card loans and consumer loans for which impairment is recognised starting from 90 days past due. The amount reported as past due but not impaired is the whole balance of such loans, not only the individual instalments that are past due.

The Group believes that loans and advances to large and small sized borrowers with longer credit history are of a higher credit quality than the rest of the loan portfolio.

As at 30 September 2012 loans issued to the borrowers other than those engaged in oil trading of UAH 40,361 million (31 December 2011: UAH 31,521 million) were collateralised with corporate rights for shares in the share capital of these borrowers and their guarantors with the collateral value of UAH 55,028 million (31 December 2011: UAH 46,818 million). Collateral agreements are concluded under the UK Law. The fair value of collateral substantially contributes to the assessment of whether there is an impairment of loans issued.

Information on loans and advances to customers from transactions with related parties is disclosed in Note 19.

9 Due to the NBU and Due to Other Banks and Other Financing Institutions

Due to the NBU at 30 September 2012 and 31 December 2011:

<i>In millions of Ukrainian hryvnias</i>	30 September 2012 (unaudited)	31 December 2011
Term borrowings from the NBU	4,786	5,825
Total due to the NBU	4,786	5,825

Assets pledged under the NBU loans are as follows:

<i>In millions of Ukrainian hryvnias</i>	Note	30 September 2012 (unaudited)	31 December 2011
Mandatory reserve balance with the NBU	7	1,294	484
Loans and advances to customers	8	668	675
Investment securities held to maturity		160	-
Premises		952	954
Assets owned by related and third parties, some of those are borrowers of the Bank		4,923	5,734

Due to other banks and other financing institutions at 30 September 2012 and 31 December 2011:

<i>In millions of Ukrainian hryvnias</i>	30 September 2012 (unaudited)	31 December 2011
Long-term loans under the credit lines from other financing institutions	1,363	774
Term placements of other commercial banks	1,257	1,401
Correspondent accounts and overnight placements of other banks	847	268
Pledge deposits of other banks	804	10
Total due to other banks and other financial institutions	4,271	2,453

10 Customer Accounts

<i>In millions of Ukrainian hryvnias</i>	30 September 2012 (unaudited)	31 December 2011
Individuals		
- Term deposits	77,706	66,536
- Current/demand accounts	16,095	12,967
Legal entities		
- Term deposits	10,329	9,147
- Current/settlement accounts	14,249	15,559
Total customer accounts	118,379	104,209

Economic sector concentrations within customer accounts are as follows:

<i>In millions of Ukrainian hryvnias</i>	30 September 2012 (unaudited)		31 December 2011	
	Amount	%	Amount	%
Individuals	93,801	79	79,503	76
Trade	6,114	5	9,207	9
Services	5,197	5	3,478	3
Manufacturing	3,825	3	4,764	5
Agriculture	3,576	3	2,618	3
Transport and communication	2,179	2	1,458	1
Machinery	370	1	477	1
Other	3,317	2	2,704	2
Total customer accounts	118,379	100	104,209	100

At 30 September 2012 the aggregate balances of top 10 customers of the Group amount to UAH 6,714 million (31 December 2011: UAH 9,576 million) or 6% (2011: 9%) of total customer accounts.

At 30 September 2012 included in customer accounts are deposits of UAH 6 million (31 December 2011: UAH 30 million) held as collateral for irrevocable commitments under import letters of credit, guarantees issued by the Group. Refer to Note 17.

At 30 September 2012 included in customer accounts are deposits of UAH 3,409 million (31 December 2011: UAH 2,445 million) held as collateral for loans and advances to customers, issued by the Group.

11 Debt Securities in Issue

<i>In millions of Ukrainian hryvnias</i>	30 September 2012 (unaudited)	31 December 2011
Private placements of bonds	5,528	560
Eurobonds	1,589	4,785
Mortgage bonds	196	254
Promissory notes	1	1
Total debt securities in issue	7,314	5,600

In February 2007 the Group issued USD denominated Eurobonds with a par value of USD 500 million (UAH 2,525 million at the exchange rate at the date of the issue) which matured in February 2012. The bonds carried a coupon rate of 8% per annum. The Eurobonds were listed on the Swiss Stock Exchange. In February 2012 the Group redeemed the remaining part of Eurobonds with par value of USD 399 million.

11 Debt Securities in Issue (Continued)

In September 2010 the Group issued USD denominated Eurobonds with a par value of USD 200 million (UAH 1,583 million at exchange rate at the date of issue) maturing in September 2015. The bonds carry a coupon rate of 9.375% per annum. The Eurobonds are listed on the London Stock Exchange.

As of 30 September 2012 the Group issued private placements of bonds (also refer to Note 17):

Date of placement	Interest rate	Currency	Maturity date	Principal amount, UAH million
April 2012	12%	UAH	February 2015	3,500
July 2012	12%	UAH	June 2015	1,200
August 2012	12%	UAH	June 2015	810

12 Share Capital

<i>In millions of UAH except for number of shares</i>	Number of outstanding shares, in millions	Nominal amount
At 1 January 2011	48.49	8,860
New shares issued	16.15	3,385
Increase in the nominal amount of the shares through capitalisation of dividends		1,300
At 30 September 2011	64.64	13,545
At 31 December 2011	64.64	13,545
Increase in the nominal amount of the shares through capitalisation of dividends		1,352
At 30 September 2012	64.64	14,897

In June 2011 the shareholders made a decision to increase the nominal amount of the Bank's issued shares from UAH 182.72 per share to UAH 209.53 per share. The increase was followed by the increase in the share capital by capitalisation of dividends of UAH 1,300 million.

In September 2011, the Bank registered an additional 16,154,900 ordinary shares with nominal amount of UAH 209.53 per share totalling UAH 3,385 million which were purchased by a company which is owned in equal share by two ultimate major shareholders. This share issue was paid in full by this company by a contribution of USD 427 million which at the date of the transaction constituted UAH 3,405 million which exceeded the nominal amount of shares issued by UAH 20 million. The respective surplus was recognised as share premium.

In April 2012 the shareholders made a decision to increase the share capital of the Bank by UAH 1,352 million up to nominal value of UAH 14,897 million capitalising the dividends attributable to the shareholders of the Bank for the year ended 31 December 2011.

The total authorised number of ordinary shares is 64.64 million shares (2011: 64.64 million shares) with a par value of UAH 230.45 per share (2011: UAH 209.53 per share). All issued ordinary shares are fully paid. Each ordinary share carries one vote.

13 Interest Income and Expense

<i>In millions of Ukrainian hryvnias</i>	Nine months ended 30 September 2012 (unaudited)	Nine months ended 30 September 2011 (unaudited)
Interest income		
Loans and advances to legal entities	8,556	8,918
Loans and advances to individuals	5,882	4,919
Due from other banks	125	126
Other	117	160
Total interest income	14,680	14,123
Interest expense		
Term deposits of individuals	5,509	4,679
Current/settlement accounts	770	666
Term deposits of legal entities	541	654
Debt securities in issue	401	316
Due to the NBU	381	494
Due to other banks and other financing institutions	140	157
Subordinated debt	63	50
Other	17	16
Total interest expense	7,822	7,032
Net interest income	6,858	7,091

Information on interest income and expense from transactions with related parties is disclosed in Note 19.

14 Fee and Commission Income and Expense

<i>In millions of Ukrainian hryvnias</i>	Nine months ended 30 September 2012 (unaudited)	Nine months ended 30 September 2011 (unaudited)
Fee and commission income		
Settlement transactions	1,783	1,526
Cash collection and cash transactions	850	706
Other	134	94
Total fee and commission income	2,767	2,326
Fee and commission expense		
Cash and settlement transactions	402	300
Other	21	18
Total fee and commission expense	423	318
Net fee and commission income	2,344	2,008

Information on fee and commission income from transactions with related parties is disclosed in Note 19.

15 Administrative and Other Operating Expenses

<i>In millions of Ukrainian hryvnias</i>	Nine months ended 30 September 2012 (unaudited)	Nine months ended 30 September 2011 (unaudited)
Staff costs	2,568	2,557
Rent	467	386
Contributions to Individual Deposits Guarantee Fund	293	238
Depreciation and amortisation of premises, leasehold improvements and equipment and intangible assets	270	300
Maintenance of premises, leasehold improvements and equipment	234	180
Mail and telecommunication	227	158
Utilities and household expenses	226	181
Taxes other than on income	111	82
Security	103	94
Advertising and marketing	76	54
Transportation	45	51
Other	336	140
Total administrative and other operating expenses	4,956	4,421

Included in staff costs is unified social contribution of UAH 625 million (30 September 2011: unified social contributions of UAH 623 million). Pension contributions are made into the State pension fund which is a defined contribution plan.

Information on administrative and other operating expenses from transactions with related parties is disclosed in Note 19.

16 Segment Analysis

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available. The CODM is the person - or group of persons - who allocates resources and assesses the performance for the entity. The functions of the CODM are performed by Management Board of the Group.

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

The Group is organized on a basis of four main business segments:

- Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.
- Corporate banking – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products.
- Investment banking – representing financial instruments trading, structured financing, corporate leasing, merger and acquisitions advice.
- Treasury – representing interbank loans, deposits, foreign currency exchange operations, arrangement of funding in the international markets, asset and liabilities management, issue of senior bonds and assets backed securities, project financing, negotiation of limits for trade financing with financial institutions.

Transactions between the business segments are on normal commercial terms and conditions. Funds are ordinarily reallocated between segments, resulting in funding cost transfers disclosed in operating income. There are no other material items of income or expense between the business segments. Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balance sheet, but excluding taxation and head office overheads. Internal charges and transfer pricing adjustments have been reflected in the performance of each business segment.

16 Segment Analysis (Continued)

Segment financial information reviewed by the CODM does not include information of the Group's subsidiaries and head office functional departments. Regular review of these subsidiary banks is delegated to the local management teams. The CODM obtains financial statements of the Bank's subsidiaries. Management considered that information on subsidiary banks is available less frequently in concluding that segments exclude details of the subsidiaries. Head office functional departments do not earn revenues or earn revenues that are only incidental to the activities of the Group and is not considered by the CODM as an operating segment.

The CODM reviews financial information of the Bank prepared based on Ukrainian accounting standards adjusted to meet the requirements of the NBU accounting rules and before consolidation of subsidiaries. Such financial information differs in certain aspects from the International Financial Reporting Standards:

- funds are generally reallocated between segments at internal interest rates set by the treasury department, which are determined by reference to market interest rate benchmarks, contractual maturities for loans and observed actual maturities of customer accounts balances;
- income taxes are not allocated to segments;
- loan loss provisions are recognised based on the statutory accounting rules;
- loans and advances to customers are written-off based on statutory requirements;
- fair value of derivative is not recognised in statutory accounts;
- managing its open currency position the Group enters into swap transactions that are recognised at cost; and
- consolidation of subsidiaries.

For each business segment the CODM reviews interest income adjusted for intersegment result.

Segment information for the reportable segments for the nine month period ended 30 September 2012 is set out below:

<i>In millions of Ukrainian hryvnias</i>	Retail banking	Corporate banking	Investment banking	Treasury	Total reportable segments
Total reportable segment assets	23,060	93,840	1,248	45,245	163,393
Total reportable segment liabilities	81,861	23,091	380	40,781	146,113

Segment information for the reportable segments for the nine month period ended 30 September 2012 is set out below:

<i>In millions of Ukrainian hryvnias</i>	Retail banking	Corporate banking	Investment banking	Treasury	Total reportable segments
30 September 2012					
External revenues	6,962	9,368	39	370	16,739
Revenues from other segments	3,914	(5,130)	(115)	1,650	319
Total revenues	10,876	4,238	(76)	2,020	17,058
Segment result	1,660	154	(63)	557	2,308

16 Segment Analysis (Continued)

Segment information for the reportable segments for the year ended 31 December 2011 is set out below:

<i>In millions of Ukrainian hryvnias</i>	Retail banking	Corporate banking	Investment banking	Treasury	Total reportable segments
Total reportable segment assets	22,304	83,246	1,203	37,557	144,310
Total reportable segment liabilities	69,236	23,007	523	35,326	128,092

Segment information for the reportable segments for the nine month period ended 30 September 2011 is set out below:

<i>In millions of Ukrainian hryvnias</i>	Retail banking	Corporate banking	Investment banking	Treasury	Total reportable segments
30 September 2011					
External revenues	5,765	9,594	50	298	15,707
Revenues from other segments	3,420	(5,139)	(99)	2,177	359
Total revenues	9,185	4,455	(49)	2,475	16,066
Segment result	1,162	153	(55)	867	2,127

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

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

<i>In millions of Ukrainian hryvnias</i>	30 September 2012 (unaudited)	30 September 2011 (unaudited)
Total revenues for reportable segments	17,058	16,066
(a), (f) Recognition of embedded derivatives and embedded derivatives with expired underlying contracts	99	(176)
(b) Consolidation adjustments	1,433	1,409
(c) Other adjustments	(705)	(426)
(d) Unallocated expenses	(318)	(359)
Total consolidated revenues	17,567	16,514

16 Segment Analysis (Continued)

Reconciliation of reportable profit or loss:

<i>In millions of Ukrainian hryvnias</i>	30 September 2012 (unaudited)	30 September 2011 (unaudited)
Total reportable segment result	2,308	2,127
(a), (f) Recognition of embedded derivatives and embedded derivatives with expired underlying contracts	971	63
(b) Consolidation adjustments	(238)	85
(c) Other adjustments	(225)	(163)
(d) Unallocated expenses less revenues	(1,122)	(1,106)
(e) (Provision)/release of provision for impairment	(621)	55
Profit before tax	1,073	1,061

Reconciliation of material items of assets at 30 September 2012 and at 31 December 2011 is as follows:

<i>In millions of Ukrainian hryvnias</i>	30 September 2012 (unaudited)	31 December 2011
Total reportable segment assets	163,393	144,310
(a), (f) Recognition of embedded derivatives and embedded derivatives with expired underlying contracts	2,683	1,711
(b) Consolidation adjustments	13,856	10,582
(c) Other adjustments	(737)	(921)
(d) Unallocated assets	567	566
(e) Release of provision for impairment	1,589	2,604
(g) Swap and spot operations at fair value	(22,076)	(17,921)
Total consolidated assets	159,275	140,931

Reconciliation of material items of liabilities at 30 September 2012 and at 31 December 2011 is as follows:

<i>In millions of Ukrainian hryvnias</i>	30 September 2012 (unaudited)	31 December 2011
Total reportable segment liabilities	146,113	128,092
(b) Consolidation adjustments	13,304	10,764
(c) Other adjustments	(339)	(401)
(d) Unallocated liabilities	91	41
(g) Swap and spot operations at fair value	(22,076)	(17,921)
(h) Deferred income tax liability	1,261	1,171
Total consolidated liabilities	138,354	121,746

The reconciling items are attributable to the following:

(a), (f) – Embedded derivatives and embedded derivatives with expired underlying contracts are accounted for at the fair value for IFRS purposes. In statutory accounts results from operations with embedded derivatives and embedded derivatives with expired underlying contracts are accounted when cash is received within interest income.

(b) – Segment reporting is prepared before consolidation of subsidiaries.

16 Segment Analysis (Continued)

(d) – Unallocated balances, revenues and results represent amounts which relate to activities of head office functional departments and are not included in the reportable segments.

(e) – Adjustments of provisions for impairment are related to the difference between the methodology applied to calculate provisions for loan impairment under the NBU accounting rules used for preparation of management reporting and the methodology used for IFRS reporting. The provision under the NBU accounting rules is calculated based mainly on formal criteria depending on the financial position of the borrower, quality of debt service and collateral, whereas the provision under IFRS requirement is calculated based on incurred loss model.

(g) – The Bank presented swap and spot operations on a gross basis in its segment reporting prepared in accordance with the NBU rules.

(h) – In Segment reporting the CODM doesn't analyse taxation.

(b) Analysis of revenues by products and services

The Group's revenues are analysed by products and services in Note 13 (interest income), Note 14 (fee and commission income).

(c) Geographical information

Revenues for each individual country for which the revenues are material are reported separately as follows:

<i>In millions of Ukrainian hryvnias</i>	30 September 2012 (unaudited)	30 September 2011 (unaudited)
Ukraine	15,264	15,084
Other countries	2,303	1,430
Total consolidated revenues	17,567	16,514

The analysis is based on domicile of the customer. Revenues from off-shore companies of Ukrainian customers are reported as revenues from Ukraine. Revenues comprise interest income, fee and commission income and other operating income.

The Bank does not analyse the capital expenditure, current and deferred income tax in segment reporting.

(d) Major customers

The Group does not have customers from which the Group collects revenues exceeding 10% of the total revenue of the Group.

17 Contingencies and Commitments

Capital expenditure commitments. At 30 September 2012 the Group has contractual capital expenditure commitments in respect of construction of premises, purchase of computers and furniture and equipment totalling UAH 101 million (31 December 2011: UAH 78 million). The Group believes that future net income and funding will be sufficient to cover this and any similar such commitments.

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing.

<i>In millions of Ukrainian hryvnias</i>	30 September 2012 (unaudited)	31 December 2011
Guarantees issued	825	1,167
Import letters of credit	518	559
Irrevocable commitments to extend credit	83	84
Less: Cash covered letters of credit	(6)	(30)
Less: Provision for credit related commitments	(28)	(2)
Total credit related commitments	1,392	1,778

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. The fair value of credit related commitments as of 30 September 2012 and 31 December 2011 was insignificant.

As of 30 September 2012 the Group had undrawn credit limits on credit cards of UAH 21,933 million (31 December 2011: UAH 13,834 million) that are available to credit cardholders. These credit limits are revocable. The Group on a regular basis monitors activity on the cards and based on the frequency and pattern of withdrawals and repayments done by borrowers is able to reduce limits on credit cards unilaterally. Provision for undrawn credit limits on credit cards was not significant as of 30 September 2012 and 31 December 2011.

As of 30 September 2012 irrevocable commitments under letters of credit and guarantees issued by the Group of gross amount of UAH 12 million (31 December 2011: UAH 30 million) are secured by deposits of UAH 6 million (31 December 2011: UAH 30 million). Refer to Note 10.

Fiduciary assets. These assets are not included in the Group's consolidated statement of financial position as they are not assets of the Group. Nominal values disclosed below are normally different from the fair values of respective securities. The fiduciary assets held by the Group on behalf of its customers fall into the following categories:

<i>In millions of Ukrainian hryvnias</i>	30 September 2012 Nominal value	31 December 2011 Nominal value
Shares of Ukrainian companies	6,004	5,886
Domestic corporate bonds	1,689	2,541
Investment certificates	1,621	1,671

17 Contingencies and Commitments (Continued)

Funds under trust management. Funds under trust management represent assets managed and held by the Group on behalf of customers. The Group earns commission income for holding such assets. The Group is not subject to interest, credit, liquidity and currency risk with respect of these assets in accordance with the agreements concluded with the customers. Loans are granted on behalf of customers who have remitted a deposit as collateral for the loans. As of 30 September 2012 assets under trust management amounted to UAH 391 million (31 December 2011: UAH 437 million).

Assets pledged and restricted. The Group had assets pledged as collateral and reserved for spot transactions with the following carrying value:

	Note	30 September 2012 (unaudited)		31 December 2011	
		Asset pledged and reserved	Related liability/commitment	Asset pledged and reserved	Related liability/commitment
<i>In millions of Ukrainian hryvnias</i>					
Gross receivables under swap, forward and spot agreements		24,354	24,353	19,803	19,841
Due from other banks		326	265	-	-
Loans and advances to customers	8, 11	334	196	383	254
Cash balances with the NBU, premises, loans and advances to customers, investment securities held to maturity	7, 8,9	3,074	4,786	2,113	5,825
Total		28,088	29,600	22,299	25,920

As of 30 September 2012 the Group pledged its USD denominated term placement with two OECD banks of UAH 5,517 million under USD denominated loan issued by these banks to a Group's customers. These funds were used for purchase of private placements of bonds for UAH 5,510 million issued by the Bank. Refer to Note 11.

As of 31 December 2011 the Group pledged its USD denominated term placement with an OECD bank of UAH 2,892 million under USD denominated loan issued by this bank to a Group's customer. A customer of the Group placed UAH 2,892 million on a current account with the Bank which is not pledged. Refer to Note 10.

18 Derivative Financial Instruments

Foreign exchange and other derivative financial instruments entered into by the Group are generally traded in an over-the-counter market with professional market counterparties on standardised contractual terms and conditions. Derivatives have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables significantly from time to time.

The table below sets out fair values, at the end of the reporting period, of currencies receivable or payable under foreign exchange forward contracts entered into by the Group and presented within other financial assets and other financial liabilities. The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the respective end of the reporting period. The contracts are short term in nature.

	30 September 2012 (unaudited)		31 December 2011	
	Contracts with positive fair value	Contracts with negative fair value	Contracts with positive fair value	Contracts with negative fair value
<i>In millions of Ukrainian hryvnias</i>				
Foreign exchange swaps, forwards and spots: fair values, at the end of the reporting period date, of				
- USD receivable on settlement (+)	7,292	1,209	4,129	2
- USD payable on settlement (-)	(1,816)	(14,058)	(201)	(15,471)
- Euros receivable on settlement (+)	34	14,024	128	14,056
- Euros payable on settlement (-)	(7,087)	(43)	(3,634)	(33)
- UAH receivable on settlement (+)	-	-	120	60
- UAH payable on settlement (-)	-	(962)	-	-
- RUB receivable on settlement (+)	1,794	-	-	1,307
- Other currencies receivable on settlement (+)	-	1	-	1
- Other currencies payable on settlement (-)	(170)	(217)	(477)	(25)
Net fair value of foreign exchange swaps, forwards and spots	47	(46)	65	(103)

At 30 September 2012, the Group had outstanding obligations from unsettled spot transactions with foreign currencies of UAH 22,497 million (31 December 2011: UAH 18,805 million). These transactions are presented in consolidated statement of financial position on a net basis. The net fair value of unsettled spot transactions is insignificant.

For the nine month period ended 30 September 2012 the Group received a gain of UAH 13 million (30 September 2011: a gain of UAH 103 million) resulting from foreign exchange swaps, forwards and spots that is accounted for in other gains less losses/(losses less gains) of the consolidated statement of comprehensive income.

As of 30 September 2012 the Group had outstanding derivatives embedded in loans issued to customers which were separated from the host instrument and carried at fair value of UAH 2,724 million (31 December 2011: UAH 1,484 million). For the nine month period ended 30 September 2012 the Group recognised a gain of UAH 872 million (30 September 2011: a gain of UAH 231 million) in respect of change in fair value of a financial derivative that arises on the issue of UAH denominated loans with the condition of compensation in the case of UAH devaluation against USD. This embedded derivative is represented by a currency option maturing in up to 3 years. The strike price was from UAH 7.98 to UAH 7.99 per USD 1 (31 December 2011: UAH 7.93 to UAH 7.99 per USD 1).

19 Related Party Transactions

Parties are generally considered to be related if the parties are under common control, joint control or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The ultimate major shareholders of the Bank are Mr. I.V. Kolomoyskiy and Mr. G.B. Bogolyubov, neither of whom individually controls the Bank nor have a contractual arrangement to jointly control the Bank.

At 30 September 2012 and 31 December 2011, the outstanding balances with related parties were as follows:

<i>In millions of Ukrainian hryvnias</i>	30 September 2012 (unaudited)			31 December 2011		
	Significant share - holders	Management	Companies under control of major shareholders	Significant share - holders	Management	Companies under control of major shareholders
Gross amount of loans and advances to customers (contractual interest rate: 2012: UAH - 12%, USD - 11%, EUR - 11%; 2011: UAH - 13%, USD - 12%, EUR - 12%)	-	6	13,390	-	4	8,462
Impairment provisions for loans and advances to customers	-	-	(4,051)	-	-	(3,693)
Loans and advances to customers written off as uncollectable	-	-	(848)	-	-	(17)
Financial derivatives	-	-	71	-	-	60
Other financial assets	-	-	7	-	-	46
Other assets	-	-	163	-	-	217
Customer accounts (contractual interest rate: 2012: UAH - 7%, USD - 7%, EUR - 11%; 2011: UAH - 6%, USD - 2%, EUR - 10%)	813	76	3,578	283	69	3,614
Subordinated debt (contractual interest rate: 2012: UAH - 6%, RUR - 1%; 2011: UAH - 6%, RUR - 1%)	-	-	155	-	-	156

19 Related Party Transactions (Continued)

The income and expense items with related parties for the nine month period ended 30 September 2012 and 30 September 2011 were as follows:

<i>In millions of Ukrainian hryvnias</i>	30 September 2012 (unaudited)			30 September 2011 (unaudited)		
	Significant share - holders	Management	Companies under control of major shareholders	Significant share - holders	Management	Companies under control of major shareholders
Interest income	9	-	791	9	-	1,052
Interest expense	(28)	(5)	(206)	(44)	(3)	(200)
Provision for loan impairment	-	-	(1,189)	-	-	(853)
Fee and commission income	-	-	52	2	-	37
Losses less gains from financial derivatives	-	-	(4)	-	-	11
Other operating income	-	-	-	-	-	5
Administrative and other operating expenses, excluding management remuneration	-	-	(76)	-	-	(138)

At 30 September 2012 and 31 December 2011, other rights and obligations with related parties were as follows:

<i>In millions of Ukrainian hryvnias</i>	30 September 2012 (unaudited)	31 December 2011
	Companies under control of major shareholders	Companies under control of major shareholders
Guarantees issued	9	15
Total credit related commitments	9	15

Aggregate amounts lent to and repaid by related parties during the nine month period ended 30 September 2012 and 30 September 2011 were:

<i>In millions of Ukrainian hryvnias</i>	30 September 2012 (unaudited)			30 September 2011 (unaudited)		
	Significant share - holders	Management	Companies under control of major shareholders	Significant share - holders	Management	Companies under control of major shareholders
Amounts lent to related parties during the period	1,184	14	7,533	932	24	10,011
Amounts repaid by related parties during the period	1,193	14	2,777	932	22	13,731

The remuneration of members of the Management Board comprised salaries, discretionary bonuses, pension contributions and other short-term benefits totalling UAH 19 million for the nine month period ended 30 September 2012 (30 September 2011: UAH 19 million).

20 Events After the End of the Reporting Period

In November 2012 the share capital of Moscomprivatbank, the Group's subsidiary in the Russian Federation, was increased by UAH 231 million. The share of the Group was increased from 59.33% to 70.04%.

In November 2012 the NBU prolonged the refinancing loan of UAH 4,630 million from 1 June 2015 till 31 December 2016 without the increase of the interest rate.