

Public Joint Stock Company “Citibank”

Financial Statements
December 31, 2010 and 2009

These financial statements contain 43 pages

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Public Joint Stock Company “Citibank”
Statements of income and other comprehensive income for the years ended December 31, 2010 and 2009

	<i>Note</i>	2010	2009
<i>(in thousands of US dollars)</i>			
Interest income	4	47,733	70,712
Interest expense	4	(9,496)	(18,158)
Net interest income		38,237	52,554
Non-interest income			
Fee and commission income	5	3,673	3,105
Net income from trading securities	6	2,737	1,081
Net income from securities available-for-sale		8,082	-
Net result from revaluation of foreign exchange derivative financial instruments		-	(4,629)
Net foreign exchange income	7	15,309	38,497
Other income		393	158
		30,194	38,212
Non-interest expense			
Recovery of (provision for) loan losses	16	1,625	(15,577)
Fee and commission expense		(1,192)	(1,190)
Net loss from securities available-for-sale		-	(43)
Salary and employee benefits	8	(5,431)	(4,695)
General administrative expenses	9	(4,926)	(7,409)
		(9,924)	(28,914)
Income before income tax		58,507	61,852
Income tax expense	10	(14,428)	(16,195)
Net income		44,079	45,657
Net unrealised gain on available-for-sale securities, net of tax effect			
	25	2,332	3,467
Foreign currency translation adjustment	25	484	(3,734)
Other comprehensive income (loss)		2,816	(267)
Comprehensive income		46,895	45,390

See accompanying notes to the financial statements.

Public Joint Stock Company “Citibank”
Balance sheets as of December 31, 2010 and 2009

<i>(in thousands of US dollars)</i>	<i>Note</i>	2010	2009
Assets			
Cash		1,085	1,202
Due from the National Bank of Ukraine	<i>11</i>	19,536	34,685
Deposit certificates issued by the National Bank of Ukraine	<i>12</i>	113,236	62,907
Placements with other banks	<i>13</i>	86,688	73,811
Trading securities	<i>14</i>	69,314	-
Securities available-for-sale	<i>15</i>	146,448	51,775
Loans, net	<i>16</i>	269,176	283,859
Deferred tax assets	<i>22</i>	1,473	3,202
Property, equipment and intangible assets, net	<i>17</i>	4,873	4,802
Other assets	<i>18</i>	12,672	2,189
		<hr/>	<hr/>
Total assets		724,501	518,432
		<hr/> <hr/>	<hr/> <hr/>
Liabilities			
Deposits and balances from other banks	<i>19</i>	97,978	32,917
Current accounts	<i>20</i>	374,085	277,796
Deposit accounts	<i>21</i>	154,187	108,171
Deferred tax liabilities	<i>22</i>	7,442	1,715
Other liabilities	<i>23</i>	4,718	4,409
		<hr/>	<hr/>
Total liabilities		638,410	425,008
		<hr/> <hr/>	<hr/> <hr/>
Stockholders' equity			
Common and preferred stock, 13,300 shares authorized, issued and outstanding with a par value each of UAH 5,000 (USD 628) as of December 31, 2010 and 2009	<i>24</i>	26,801	26,801
Additional paid-in capital		37,618	37,618
Accumulated other comprehensive loss, net	<i>25</i>	(66,978)	(69,794)
Retained earnings		88,650	98,799
		<hr/>	<hr/>
Total stockholders' equity		86,091	93,424
		<hr/> <hr/>	<hr/> <hr/>
Total liabilities and stockholders' equity		724,501	518,432
		<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to the financial statements.

Public Joint Stock Company "Citibank"
Statements of changes in stockholders' equity
for the years ended December 31, 2010 and 2009

	Number of shares of Common and Preferred Stock	Common and Preferred Stock	Additional paid-in capital	Accumulated other comprehen- sive income (loss)	Retained earnings	Total
<i>(in thousands of US dollars except for share number)</i>						
Balance as of January 1, 2010	13,300	26,801	37,618	(69,794)	98,799	93,424
Net income	-	-	-	-	44,079	44,079
Net unrealised gain on available- for-sale securities, net of tax effect of USD 624 thousand	-	-	-	2,332	-	2,332
Foreign currency translation adjustment	-	-	-	484	-	484
Comprehensive income						<u>46,895</u>
Dividends declared on common and preferred stock for 2009, USD 4,077.3 per share	-	-	-	-	(54,228)	(54,228)
Balance as of December 31, 2010	<u>13,300</u>	<u>26,801</u>	<u>37,618</u>	<u>(66,978)</u>	<u>88,650</u>	<u>86,091</u>

	Number of shares of Common and Preferred Stock	Common and Preferred Stock	Additional paid-in capital	Accumulated other comprehen- sive income loss	Retained earnings	Total
<i>(in thousands of US dollars except for share number)</i>						
Balance as of January 1, 2009	13,300	26,801	37,618	(69,527)	118,973	113,865
Net income	-	-	-	-	45,657	45,657
Net unrealised gain on available- for-sale securities, net of tax effect of USD 1,156 thousand	-	-	-	3,467	-	3,467
Foreign currency translation adjustment	-	-	-	(3,734)	-	(3,734)
Comprehensive income						<u>45,390</u>
Dividends declared on common and preferred stock for 2008 and 2007, USD 4,949.5 per share	-	-	-	-	(65,831)	(65,831)
Balance as of December 31, 2009	<u>13,300</u>	<u>26,801</u>	<u>37,618</u>	<u>(69,794)</u>	<u>98,799</u>	<u>93,424</u>

See accompanying notes to the financial statements.

Public Joint Stock Company “Citibank”
Statements of cash flows for the years ended December 31, 2010 and 2009

	2010	2009
<i>(in thousands of US dollars)</i>		
Cash flows from operating activities		
Interest received	46,156	74,971
Interest paid	(9,624)	(17,446)
Fees and commissions received	3,673	2,908
Fees and commissions paid	(1,192)	(1,191)
Net receipts from foreign exchange	20,815	32,189
Net receipts from trading securities	2,298	1,081
Net receipts from securities available-for-sale	8,082	-
Operating expenses paid, net	(9,120)	(11,527)
Income tax paid	(17,746)	(17,658)
	43,342	63,327
<i>(Increase) decrease in operating assets</i>		
Restricted mandatory reserve balance with the National Bank of Ukraine	(683)	(4,085)
Deposit certificates issued by the National Bank of Ukraine	(50,329)	(3,850)
Placements with other banks	(1,371)	80,625
Trading securities	(67,418)	3,850
Available-for-sale securities	(90,527)	(12,674)
Loans	13,243	104,309
Other assets	291	234
<i>Increase (decrease) in operating liabilities</i>		
Deposits and balances from other banks	64,849	(25,686)
Current and deposit accounts	140,358	(85,430)
Other liabilities	126	1,865
	51,881	122,485
Cash provided by operating activities		
Cash flows from investing activities		
Purchases of property, equipment and intangible assets	(538)	(481)
Proceeds from disposals of property, equipment and intangible assets	-	45
	(538)	(436)
Net cash used in investing activities		
Cash flows used in financing activities		
Dividends paid	(54,228)	(65,831)
	(54,228)	(65,831)
Net cash used in financing activities		

See accompanying notes to financial statements.

Public Joint Stock Company "Citibank"
Statements of cash flows for the years ended December 31, 2010 and 2009
(continued)

<i>(in thousands of US dollars)</i>	<i>Note</i>	2010	2009
Effect of exchange rates changes on cash		(1,574)	(12,643)
Net (decrease) increase in cash and cash equivalents		(2,885)	56,218
Cash and cash equivalents as of January 1		96,567	52,992
Cash and cash equivalents as of December 31	<i>31</i>	92,108	96,567

See accompanying notes to financial statements.

1 Background

(a) Organization and operations

Public Joint Stock Company “Citibank” (the Bank) was established in Ukraine as a joint stock bank on March 19, 1998 and was registered by the National Bank of Ukraine (NBU) on May 11, 1998 under its previous name Joint-Stock Bank Citibank (Ukraine). In September 2009, the Bank changed its name to Public Joint Stock Company “Citibank”. The Bank provides banking services primarily to corporate clients operating in different industries. The activities of the Bank are regulated by the NBU. The Bank is located at 16-g Dimitrova Street, Kiev, Ukraine.

The Bank is a 100% subsidiary of the financial corporation Citigroup, Inc. (67% of its capital stock is owned by Citibank Overseas Investment corporation and 33% is owned by Citicorp Leasing International, Inc.).

(b) Ukrainian business environment

Financial markets

Ukraine is experiencing political and economic change that has affected, and may continue to affect, the activities of entities operating in this environment. Consequently, operations in Ukraine involve risks that do not typically exist in other markets. In addition, the recent contraction in the capital and credit markets has further increased the level of economic uncertainty in the environment. The financial statements reflect management’s assessment of the impact of the Ukrainian business environment on the operations and the financial position of the Bank. The future business environment may differ from management’s assessment.

The global economic crisis has significantly impacted Ukraine. Ukraine has been helped by the timely intervention of international financial institutions, headed by the International Monetary Fund. In particular, this crisis affected Ukraine through two main channels – tighter access to credit resources and falling exports.

Management is unable to reliably estimate the effects on the Bank's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and liquidity position of the Bank's business in the current circumstances.

2 Basis of preparation

(a) Accounting and reporting framework

These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP).

(b) Functional and reporting currency and foreign currency translation

Management determined the functional currency to be the Ukrainian hryvnia UAH as it reflects the primary economic environment in which the Bank operates.

The reporting currency for these financial statements is the US dollar (USD), rounded to the nearest thousand. The financial statements are translated into the USD in accordance with ASC 830-30, *Foreign Currency Matters—Translation of Financial Statements* (formerly SFAS No. 52). Accordingly, for the purposes of presenting these financial statements in USD, all UAH amounts are translated to USD as follows: (1) monetary assets and liabilities denominated in UAH at the balance sheet dates are translated into USD at the closing exchange rate ruling at those dates; (2) equity is stated at historical cost, and is translated to USD at the foreign exchange rate ruling at the date of the transaction; (3) income and expense items are translated at the exchange rates that approximate exchange rates at the dates of the transactions; (4) all resulting translation adjustments are reported in other comprehensive income.

Transactions in foreign currencies are translated into the functional currency at the rates of exchange prevailing at the date of the transaction. Resulting gains or losses from settlement of such foreign currency transactions are included in the income statement. Unsettled monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange prevailing at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Transaction gains or losses arising from changes in exchange rates between the date of transaction and period end exchange rates are included in income.

The principal UAH exchange rates used in the preparation of these financial statements as of December 31 are as follows:

Currency	2010	2009
US Dollar	7.962	7.985
Euro (EUR)	10.573	11.449

As of the date of these financial statements, September 14, 2011, the exchange rates are UAH 7.9723 to USD 1.00 and UAH 10.878203 to Euro 1.00.

The average rates of exchange for the years ended December 31, 2010 and 2009 are 1 USD = 7.935 and 1 USD = 7.807 UAH, respectively.

The exchange rates applied are the official exchange rates of the National Bank of Ukraine.

(c) Convertibility of the Ukrainian hryvnia

The Ukrainian hryvnia is not a convertible currency outside Ukraine and, accordingly, the translation of Ukrainian hryvnia amounts to US dollars should not be construed as a representation that Ukrainian hryvnia amounts have been, could be, or will be in the future, convertible into US dollars at the exchange rate shown, or at any other exchange rate.

3 Summary of significant accounting policies

The following significant accounting policies are consistently applied in the preparation of these financial statements.

(a) Use of estimates

The preparation of the financial statements in conformity with US GAAP requires management to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the period. The most significant item subject to such estimates and assumptions is the allowance for loan losses. Actual results could differ from those estimates.

(b) Interest income and interest expense

Interest income and expense are recognized using the effective interest method. Interest on non-performing assets is not accrued. Non-performing assets are those assets in respect of which management believes that the contractual interest or principal due will not be collected. Interest due on loans of this nature is recorded in income when received.

(c) Allowance for loan losses

The allowance for loan losses represents management's estimate of probable losses inherent in the portfolio and is estimated based on previous experience and considering the credit standing of the underlying customers, late payments of interest or penalties and the realizable value of any collateral including guarantees. Impairment is measured as the present value of expected future cash flows discounted at the loan's original interest rate. Additions to the allowance are made through a charge to income.

(d) Cash and cash equivalents

Cash and cash equivalents consist of cash, nostro accounts and deposits with the NBU less restricted balances, and current accounts due from banks, all of which have an original maturity of less than 90 days.

(e) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments. Loans and receivables are accounted for at amortized cost.

(f) Interest bearing liabilities

Interest-bearing borrowings are recognized initially at cost, net of any transaction costs incurred. Subsequent to initial recognition, interest-bearing liabilities are stated at amortized cost with any difference between cost and redemption value being recognized in income over the period of the borrowings.

(g) Investment securities

Securities are classified as trading, available-for-sale, or held-to-maturity based on management intent. The specific identification method is used for determining the cost basis of all such securities upon their sale or redemption.

Trading securities are bought and held principally for the purpose of selling them in the near term. Trading securities are recorded at their fair value. Unrealized holding gains and losses on trading securities are included in income.

Held-to-maturity securities are those securities that the Bank has the ability and intent to hold until maturity. Held-to-maturity securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums or discounts.

Premiums and discounts are amortized or accreted over the life of the related security held-to-maturity as an adjustment to yield using the effective-interest method. Interest income is recognized when earned.

Available-for-sale securities are those marketable securities not included in trading or held to maturity. Available-for-sale securities are recorded at their fair value. Unrealized holding gains and losses, net of the related tax effect, are excluded from earnings and are reported as a separate component of other comprehensive income until realized.

A decline in the market value of any available-for-sale or held-to-maturity security below cost that is deemed to be other-than-temporary results in a reduction in carrying amount to fair value. The impairment is charged to earnings and a new cost basis for the security is established. To determine whether impairment is other-than-temporary, management takes into account both the amount and duration of any decrease in value. Management also considers whether it has the ability and intent to hold the investment until a market price recovery and considers whether evidence indicating the cost of the investment is recoverable outweighs evidence to the contrary. Evidence considered in this assessment includes the reasons for the impairment, the severity and the duration of the impairment, changes in value subsequent to year-end, and forecasted performance of the investee.

(h) Property, equipment and intangible assets

(i) Owned assets

Items of property, equipment and intangible assets are stated at cost less accumulated depreciation and amortization and impairment losses.

Where an item of property, equipment and intangible assets comprises major components having different useful lives, they are accounted for as separate items of property, equipment and intangible assets.

(ii) *Leased assets*

Leases under which the Bank assumes substantially all the risks and rewards of ownership are classified as capital leases. Property and equipment acquired by way of capital lease is stated at an amount equal to the lower of its fair value or the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Payments for operating leases, under which the Bank does not assume substantially all the risks and rewards of ownership, are expensed as are incurred.

(iii) *Depreciation and amortization*

Depreciation and amortization on property, equipment and intangible assets is charged to income on a straight-line basis over the estimated useful lives of the individual assets. Property and equipment acquired under capital leases and leasehold improvements are amortized on a straight-line basis over the shorter of the lease term or estimated useful life of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. The estimated useful lives are as follows:

Buildings	50 years
Computers	3 years
Furniture and equipment	4 to 5 years
Vehicles	4 years
Intangible assets	2 to 5 years

(i) *Impairment of long-lived assets*

In accordance with ASC 360-10, *Property, Plant, and Equipment—Overall* long-lived assets, such as property, equipment, and purchased intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet.

(j) Stockholders' equity

(i) Dividends

The ability of the Bank to declare and pay dividends is subject to the rules and regulations of the NBU and other Ukrainian legislation. Dividends are recognized as a liability in the period in which they are declared.

(ii) Comprehensive income

Comprehensive income generally encompasses all changes in stockholders' equity (except those arising from transactions with owners) and includes net income, net unrealized gains or losses on available-for-sale securities and foreign currency translation adjustments.

(k) Income taxes

Income tax consists of current and deferred tax. Income tax is recognized in income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred income taxes are accounted for under the asset and liability method in accordance with ASC 740, *Income Taxes—Overall*. Deferred tax assets and liabilities are recognized for temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

A valuation allowance is recognized against deferred tax assets whenever, based on the weight of evidence, management believes its is more likely than not that more portion or all of the deferred tax asset will not be realized.

(l) Employee benefits

Employee benefits are provided by the State through mandatory contributions by the Bank and employees. The cost for these contributions, which is recognized when incurred, is included in the caption *Salary and employee benefits*.

(m) Share option plan

Certain employees of the Bank participate in a share option plan that, based on certain conditions, allows them to purchase shares of Citigroup, Inc. This share plan is administered

by Citigroup, Inc. and the expense associated with this plan is calculated and allocated to the Bank.

(n) Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

(o) Income and expense recognition

Interest income and expense are recognized on an accrual basis calculated using the effective interest method.

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with any related direct costs, are deferred and amortized to interest income over the estimated life of the financial instrument using the effective interest method.

(p) Derivative Instruments

The Bank accounts for derivatives and hedging activities in accordance with ASC 815-10, *Derivatives and Hedging—Overall*, which requires entities to recognize all derivative instruments as either assets or liabilities in the balance sheet at their respective fair values.

Derivative financial instruments include foreign exchange swaps only.

Changes in the fair value of derivatives are recognized immediately in income.

Although the Bank trades in derivative instruments for risk hedging purposes, these instruments do not qualify for hedge accounting.

(q) Fair value measurements

The Bank applies the provisions of ASC 820-10, *Fair Value Measurements and Disclosures*, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820-10 also establishes a framework for measuring fair value and expands disclosures about fair value measurements (refer to note 32).

(r) Future application of accounting standards

Loss-Contingency Disclosures

In July 2010, the Financial Accounting Standard Board (FASB) issued a second exposure draft proposing expanded disclosures regarding loss contingencies. This proposal increases the number of loss contingencies subject to disclosure and requires substantial quantitative and qualitative information to be provided about those loss contingencies. Management does not expect the proposal to have an impact on the Bank’s accounting for loss contingencies.

Credit Quality and Allowance for Credit Losses Disclosures

In July 2010, the FASB issued ASU No. 2010-20, *Disclosures about Credit Quality of Financing Receivables and Allowance for Credit Losses*. ASU No. 2010-20 requires a greater level of disaggregated information about the allowance for credit losses and the credit quality of financing receivables.

Potential Amendments to Current Accounting Standards

In January 2011, the FASB issued the Proposed Accounting Standards Update—Balance Sheet (Topic 210): *Offsetting*, to propose a framework for offsetting financial assets and liabilities. This proposal would prohibit netting most derivative contracts covered by ISDA master netting agreements and also prohibit netting most repurchase/resale agreements under standard industry agreements that are allowed to be netted today and would result in a significant gross-up of assets and liabilities on the balance sheet. The FASB and International Accounting Standard Board (IASB) are currently working on several joint projects, including amendments to existing accounting standards governing financial instruments and lease accounting. The FASB is proposing sweeping changes to the classification and measurement of financial instruments, hedging and impairment guidance. The FASB is also working on a project that would require all leases to be capitalized on the balance sheet. Due to ongoing deliberations of the standard-setters, the Bank is currently unable to determine the effect of future amendments or proposals.

4 Interest income and interest expense

Interest income for the years ended December 31 is as follows:

	2010	2009
<i>(in thousands of US dollars)</i>		
Loans	25,476	56,657
Deposit certificates issued by the NBU	13,378	5,559
Trading securities	4,754	312
Securities available-for-sale	3,606	5,433
Placements with other banks	519	2,751
Total	47,733	70,712

Interest expense for the years ended December 31 is as follows:

	2010	2009
<i>(in thousands of US dollars)</i>		
Current accounts and deposits from customers	9,300	17,754
Deposits and balances from other banks	196	404
Total	9,496	18,158

5 Fee and commission income

Fee and commission income for the years ended December 31 is as follows:

	2010	2009
<i>(in thousands of US dollars)</i>		
Cash and settlement transactions	2,669	2,159
Loan servicing	375	391
Guarantees issued and other off-balance sheet transactions	310	414
Other	319	141
Total	3,673	3,105

6 Net income from trading securities

The net result from trading securities for the years ended December 31 is as follows:

	2010	2009
<i>(in thousands of US dollars)</i>		
Realized gain	2,297	1,081
Unrealized gain	440	-
	<hr/>	<hr/>
Total	2,737	1,081
	<hr/> <hr/>	<hr/> <hr/>

7 Net foreign exchange income

Net foreign exchange income relates to the valuation of currency positions and the spreads earned on foreign currency activities.

8 Salaries and employee benefits

Salaries and employee benefits for the years ended December 31 are as follows:

	2010	2009
<i>(in thousands of US dollars)</i>		
Salaries and employee benefits	5,908	5,051
Accretion of stock option plan costs	(477)	(356)
	<hr/>	<hr/>
Total	5,431	4,695
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9 General administrative expenses

General administrative expenses for the years ended December 31 are as follows:

	2010	2009
<i>(in thousands of US dollars)</i>		
Management fees	2,041	4,214
Maintenance of property and equipment	533	487
Depreciation and amortization	469	462
Other taxes, excluding corporation tax	436	66
Travel and entertainment	316	201
Operating lease	299	309
Mail and communication	256	316
Professional services	201	330
Occupancy costs	161	131
Office supplies	133	128
Security	50	50
Other	31	715
	<hr/>	<hr/>
Total	4,926	7,409
	<hr/> <hr/>	<hr/> <hr/>

10 Income tax expense

Income tax expense the years ended December 31 is as follows:

	2010	2009
<i>(in thousands of US dollars)</i>		
Current	7,576	19,686
Deferred – origination and reversal of timing differences	6,852	(3,491)
	<hr/>	<hr/>
Total	14,428	16,195
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The applicable corporate income tax rate is 25% for the years ended December 31, 2010 and 2009. The reconciliation of the effective tax rate follows:

<i>(in thousands of US dollars)</i>	2010	%	2009	%
Income before income tax	58,507	100%	61,852	100%
Income tax using the applicable tax rate	14,627	25%	15,463	25%
Non-deductible items	649	1%	732	1%
Effect of change of tax rates	(848)	(1%)	-	-
Total	14,428	25%	16,195	26%

In December 2010, a new tax code was adopted in Ukraine. The new tax code assumes significant changes in tax accounting for VAT and corporate income tax, including changes in applicable rates and accounting policies for recognition of taxable income and expenses. In particular, under the new tax code, the corporate income tax rate will be decreased in steps from 25% in 2010 to 16% in 2014.

11 Due from the National Bank of Ukraine

In April 2010 the NBU changed the requirements for mandatory reserve balances. The NBU requires banks to maintain 100% of mandatory reserve balances calculated based on the previous reporting period (previous month) on special accounts held with the NBU. Banks are not allowed to use funds placed on these special accounts. As of December 31, 2009 only 40% of the mandatory reserve balance was subject to restrictions on use. The remaining balances could be used in day-to-day operations of the Bank.

As of December 31, 2010 the mandatory reserve balance with the NBU amounts to USD 7,074 thousand, of which USD 4,768 thousand is placed on the special account with the NBU, and which use is restricted. The remaining portion of the mandatory reserve balance was covered by securities available-for-sale.

As of December 31, 2009 the mandatory reserve balance with the NBU amounts to USD 7,322 thousand, of which USD 4,085 thousand is placed on the special account with the NBU, and which use is restricted.

The Bank meets the NBU reserve requirements as of December 31, 2010 and 2009.

As the restricted portion of balances with the NBU as of December 31, 2010 and 2009 is not available to finance day-to-day operations, for the purposes of the cash flow statements, these amounts are excluded from cash and cash equivalents.

	2010	2009
<i>(in thousands of US dollars)</i>		
Unrestricted balance with the NBU	14,768	30,600
Restricted mandatory reserve balance	4,768	4,085
	19,536	34,685
Total	19,536	34,685

12 Deposit certificates issued by the National Bank of Ukraine

As of December 31, 2010 deposit certificates amounting to USD 113,236 thousand issued by the NBU of UAH 1,000,000 (equivalent to USD 125,597) par value each and maturing between January 12, 2011 and February 25, 2011. The nominal interest rates range from 5.0% to 7.0% per annum depending on maturity. The weighted average effective interest rate as of December 31, 2010 is 6.1 % per annum.

As of December 31, 2009 deposit certificates amounting to USD 62,907 thousand issued by the NBU of UAH 1,000,000 (equivalent to USD 125,235) par value each and maturing January 6, 2010. The nominal interest rate is 4.0%. The weighted average effective interest rate as of December 31, 2009 is 4.0% per annum.

13 Placements with other banks

Placements with other banks as of December 31 are as follows:

	2010	2009
<i>(in thousands of US dollars)</i>		
Deposits	10,433	9,046
Nostro accounts	76,255	64,765
	86,688	73,811
Total	86,688	73,811

As of December 31, 2010 and 2009, USD 75,946 thousand and USD 63,200 thousand or 87.6% and 85.6%, respectively, of total placements with other banks are represented by placements with other Citigroup entities.

14 Trading securities

As of December 31, 2010 trading securities amounting to USD 69,314 thousand are Ukrainian treasury bills denominated in UAH, with a UAH 1,000 (equivalent to USD 126) par value each and maturing February 28, 2011 and March 1, 2011. The nominal interest rate is 5.5% per annum. The weighted average effective interest rate as of December 31, 2010 is 9.5 % per annum.

15 Securities available-for-sale

Available-for sale securities as of December 31 are as follows:

	Cost	Gross unrealized gains	Fair value carrying value
<i>(in thousands of US dollars)</i>			
Treasury bills available-for-sale as of December 31, 2010	139,550	6,898	146,448
Treasury bills available-for-sale as of December 31, 2009	50,734	1,041	51,775

As of December 31, 2010 available-for-sale securities are Ukrainian treasury bills with maturity dates between March 30, 2011 and August 25, 2015. The nominal interest rates range from 5.5% to 15.7% per annum depending on maturity. The weighted average effective interest rate as of December 31, 2010 is 10.4% per annum.

As of December 31, 2009 available-for-sale securities are Ukrainian treasury bills with maturity dates between May 5, 2010 and November 6, 2013. The nominal interest rates range from 8.0% to 27.4% per annum depending on maturity. The weighted average effective interest rate as of December 31, 2009 is 24.4% per annum.

16 Loans, net

Loans as of December 31 are as follows:

	2010	2009
<i>(in thousands of US dollars)</i>		
Commercial	273,130	296,900
Retail	3,015	2,159
Gross loans	276,145	299,059
Impairment allowance	(6,969)	(15,200)
Total loans	269,176	283,859

(i) **Loan impairment allowance**

Movements in loan impairment allowance for the year ended 31 December are as follows:

	2010	2009
<i>(in thousands of US dollars)</i>		
Balance as of January 1	<u>15,200</u>	<u>-</u>
Loan impairment allowance - commercial	1,015	15,577
Recoveries	(2,640)	-
Write-offs	(6,800)	-
Currency translation adjustment	194	(377)
Balance as of December 31	<u>6,969</u>	<u>15,200</u>

The loan impairment allowance includes an asset-specific component and a statistically-based component. The asset specific component is calculated under ASC 310-10-35, *Receivables—Subsequent Measurement* on an individual basis for larger-balance, non-homogeneous loans, which are considered impaired. An asset-specific allowance is established when the discounted cash flows, collateral value (less disposal costs), or observable market price of the impaired loan is lower than its carrying value. This allowance considers the borrower's overall financial condition, resources, and payment record, the prospects for support from any financially responsible guarantors and, if appropriate, the realizable value of any collateral. The asset specific component of the allowance for smaller balance impaired loans is calculated on a pool basis considering historical loss experience.

Loan impairment as of December 31, 2010 is as follows:

	Gross loans	Loan impairment allowance	Net loans	Impairment to gross loans
<i>(in thousands of US dollars)</i>				
Commercial loans				
Loans with specific impairment	15,198	6,969	8,229	45.9%
Loans without specifically identified impairment	<u>257,932</u>	-	<u>257,932</u>	<u>0.0%</u>
Total commercial loans	<u>273,130</u>	<u>6,969</u>	<u>266,161</u>	<u>2.6%</u>
Retail loans without specifically identified impairment:				
Loans to employees	3,015	-	3,015	0.0%
Total	<u>276,145</u>	<u>6,969</u>	<u>269,176</u>	<u>2.5%</u>

Loan impairment as of December 31, 2009 is as follows:

	Gross loans	Loan impairment allowance	Net loans	Impairment to gross loans
<i>(in thousands of US dollars)</i>				
Commercial loans				
Loans with specific impairment	28,200	15,200	13,000	53.9%
Loans without specifically identified impairment	268,700	-	268,700	0.0%
Total commercial loans	296,900	15,200	281,700	5.1%
Retail loans without specifically identified impairment:				
Loans to employees	2,159	-	2,159	0.0%
Total	299,059	15,200	283,859	5.1%

(ii) Business segments

Loans are issued as of December 31 primarily to customers located within Ukraine who operate in the following economic sectors:

	2010	2009
<i>(in thousands of US dollars)</i>		
Retail	3,015	2,159
Commercial:		
Trade	105,338	138,534
Manufacturing	97,240	81,127
Tobacco industry	20,121	-
Food	15,338	16,531
Metallurgy	13,840	20,310
Ore extraction	4,938	67
Chemistry	-	28,393
Rubber and plastic production	-	6,493
Other	16,315	5,445
Total	276,145	299,059

As of December 31, 2010 and 2009 retail loans are primarily loans to employees.

(iii) Collateral

It is the Bank's policy to lend on the basis of the customer's capacity to repay, rather than rely primarily on the value of collateral offered. Depending on the customer's standing and the type of product, loans may be provided unsecured.

As of December 31, 2010 loans and advances are collateralized by guarantees of USD 152,556 thousand obtained from Citigroup entities (December 31, 2009: USD 161,672 thousand).

Retail loans are collateralized by underlying mortgage real estate.

(iv) Significant credit exposures

As of December 31, 2010 and 2009 loans to the ten largest borrowers amount to USD 172,513 thousand and USD 157,644 thousand, or 62.5% and 52.7% of gross loans, respectively.

17 Property, equipment and intangible assets

A summary of activity in property, equipment and intangible assets for the year ended 31 December 2010 is as follows:

	Buildings and leasehold improvements	Computers	Furniture and equipment	Vehicles	Intangible assets	Total
<i>(in thousands of US dollars)</i>						
Cost						
January 1, 2010	4,644	1,181	747	397	597	7,566
Additions	78	147	127	49	137	538
Disposals	-	-	-	(31)	-	(31)
Translation adjustment	12	3	2	1	1	19
December 31, 2010	4,734	1,331	876	416	735	8,092
Accumulated depreciation						
January 1, 2010	590	989	622	55	508	2,764
Depreciation and amortization	94	95	90	100	90	469
Disposals	-	-	-	(18)	-	(18)
Translation adjustment	(6)	4	6	(1)	1	4
December 31, 2010	678	1,088	718	136	599	3,219
Net book value as of December 31, 2010	4,056	243	158	280	136	4,873

A summary of activity in property, equipment and intangible assets for the year ended 31 December 2009 is as follows:

	Buildings and leasehold improvements	Computers	Furniture and equipment	Vehicles	Intangible assets	Total
<i>(in thousands of US dollars)</i>						
Cost						
January 1, 2009	4,801	1,130	757	288	598	7,574
Additions	13	104	26	314	24	481
Disposals	-	(15)	(8)	(191)	-	(214)
Translation adjustment	(170)	(38)	(28)	(14)	(25)	(275)
December 31, 2009	<u>4,644</u>	<u>1,181</u>	<u>747</u>	<u>397</u>	<u>597</u>	<u>7,566</u>
Accumulated depreciation						
January 1, 2010						
January 1, 2009	515	928	556	136	437	2,572
Depreciation and amortization	95	112	96	70	89	462
Disposals	-	(15)	(8)	(147)	-	(170)
Translation adjustment	(20)	(36)	(22)	(4)	(18)	(100)
December 31, 2009	<u>590</u>	<u>989</u>	<u>622</u>	<u>55</u>	<u>508</u>	<u>2,764</u>
Net book value as of December 31, 2009	<u>4,054</u>	<u>192</u>	<u>125</u>	<u>342</u>	<u>89</u>	<u>4,802</u>

18 Other assets

Other assets as of December 31 are as follows:

	2010	2009
<i>(in thousands of US dollars)</i>		
Prepaid income tax	12,145	1,371
Deferred expenses	402	333
Other	125	485
Total	<u>12,672</u>	<u>2,189</u>

19 Deposits and balances from other banks

Deposits and balances from other banks as of December 31 are as follows:

	2010	2009
<i>(in thousands of US dollars)</i>		
Term deposits	86,835	19,781
Vostro accounts	11,143	13,136
	<hr/>	<hr/>
Total	97,978	32,917
	<hr/>	<hr/>

As of December 31, 2010 and 2009, USD 55,233 thousand and USD 113 thousand or 56.4% and 0.3%, respectively, of the total of deposits and balances from banks are from Citigroup entities.

20 Current accounts

Current accounts as of December 31 are as follows:

	2010	2009
<i>(in thousands of US dollars)</i>		
Corporate	371,546	276,198
Retail	2,539	1,598
	<hr/>	<hr/>
Total	374,085	277,796
	<hr/>	<hr/>

As of December 31, 2010 and 2009, current accounts of USD 363 thousand and USD 412 thousand, respectively, are blocked as collateral for loans and off-balance sheet credit instruments granted by the Bank.

As of December 31, 2010 and 2009, current accounts of USD 198,623 thousand and USD 120,633 thousand, representing 53.1% and 43.4% of the total current accounts, respectively, are due to the ten largest customers.

21 Deposit accounts

Deposit accounts as of December 31 are as follows:

	2010	2009
<i>(in thousands of US dollars)</i>		
Corporate	154,187	108,171
	<u> </u>	<u> </u>

As of December 31, 2010 and 2009 deposits of USD 110,461 thousand and USD 74,522 thousand, representing 71.6% and 68.9% of total deposit accounts, respectively, are due to the ten largest customers.

22 Deferred tax assets and liabilities

The balance sheet classification of deferred taxes as of December 31 is as follows:

	2010	2009
<i>(in thousands of US dollars)</i>		
Deferred tax assets	1,473	3,202
Deferred tax liabilities	(7,442)	(1,715)
	<u> </u>	<u> </u>
Net deferred tax asset (liability)	(5,969)	1,487
	<u> </u>	<u> </u>

The movement in temporary differences for the year ended December 31, 2010 is as follows:

	January 1, 2010	Recognized in income	Recognized in equity	Translation difference	December 31, 2010
	Asset (liability)	Benefit (charge)	Benefit (charge)		Asset (liability)
<i>(in thousands of US dollars)</i>					
Provision for loan impairment	1,888	(1,480)	-	(1)	407
Other liabilities	1,314	(244)	-	(4)	1,066
Property, equipment and intangible assets	(299)	(9)	-	1	(307)
Securities available-for-sale and trading securities	(1,416)	(5,119)	(624)	24	(7,135)
Total	1,487	(6,852)	(624)	20	(5,969)

The movement in temporary differences for the year ended December 31, 2009 is as follows:

	January 1, 2009	Recognized in income	Recognized in equity	Translation difference	December 31, 2009
	Asset (liability)	Benefit (charge)	Benefit (charge)		Asset (liability)
<i>(in thousands of US dollars)</i>					
Provision for loan impairment	(1,028)	2,951	-	(35)	1,888
Placements with other banks	(45)	44	-	1	-
Deposits and balances from other banks	263	(260)	-	(3)	-
Other liabilities	611	743	-	(40)	1,314
Property, equipment and intangible assets	(297)	(13)	-	11	(299)
Securities available-for-sale and trading securities	841	(1,131)	(1,156)	30	(1,416)
Foreign exchange derivative financial instruments – assets	(3,711)	3,667	-	44	-
Foreign exchange derivative financial instruments – liabilities	2,540	(2,510)	-	(30)	-
Total	(826)	3,491	(1,156)	(22)	1,487

23 Other liabilities

Other liabilities as of December 31 are as follows:

	2010	2009
<i>(in thousands of US dollars)</i>		
Accounts payable	1,662	353
Accrued management fees	1,279	2,420
Accrued bonuses to employees	1,446	753
Accrued expenses for professional services	183	-
Taxes payable other than income tax	79	15
Stock option plan payable	16	490
Deferred income	11	12
Other	42	366
	4,718	4,409

24 Stockholders' equity

Capital stock as of December 31, 2010 and 2009 comprises 10,000 common shares and 3,300 preferred shares with a par value of UAH 5,000 per share.

The holders of ordinary and preferred shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general meetings of the Bank. The amount of dividend is determined and approved at the annual general meeting.

25 Accumulated other comprehensive income

The movement in other comprehensive income for the year ended December 31, 2010 is as follows:

	Cumulative translation adjustment	Unrealized holding gains (losses) on available for sale securities	Accumulated other comprehensive income
<i>(in thousands of US dollars)</i>			
Balance at January 1, 2010	(70,575)	781	(69,794)
Net unrealized gain on available-for-sale securities, net of tax effect of USD 624 thousand	-	2,342	2,342
Foreign currency translation adjustment	484	(10)	474
	(70,091)	3,113	(66,978)

Public Joint Stock Company "Citibank"
Notes to the financial statements as of and for the years ended December 31, 2010 and 2009

	Before tax amount	Tax effect	Net of tax amount
<i>(in thousands of US dollars)</i>			
Cumulative translation adjustment	(70,091)	-	(70,091)
Unrealized gains (losses) on securities available-for-sale	3,778	(665)	3,113
	<u> </u>	<u> </u>	<u> </u>
Balance as of December 31, 2010	(66,313)	(665)	(66,978)
	<u> </u>	<u> </u>	<u> </u>

The movement in other comprehensive income for the year ended December 31, 2009 is as follows:

	Cumulative translation adjustment	Unrealized holding gains (losses) on available for sale securities	Accumulated other comprehensive income
<i>(in thousands of US dollars)</i>			
Balance at January 1, 2009	(66,841)	(2,686)	(69,527)
Net unrealized gains (losses) on available-for-sale securities, net of tax effect of USD 1,156 thousand	-	3,455	3,455
Foreign currency translation adjustment	(3,734)	12	(3,722)
	<u> </u>	<u> </u>	<u> </u>
Balance as of December 31, 2009	(70,575)	781	(69,794)
	<u> </u>	<u> </u>	<u> </u>

	Before tax amount	Tax effect	Net of tax amount
<i>(in thousands of US dollars)</i>			
Cumulative translation adjustment	(70,575)	-	(70,575)
Unrealized gains losses on securities available-for-sale	1,041	(260)	781
	<u> </u>	<u> </u>	<u> </u>
Balance as of December 31, 2009	(69,534)	(260)	(69,794)
	<u> </u>	<u> </u>	<u> </u>

26 Risk management

Management of risk is fundamental to the business of banking and is an essential element of operations. The major risks are those related to credit exposures, liquidity and movements in interest rates and foreign exchange rates. These risks are managed in the following manner:

(a) Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Bank.

The Bank has developed policies and procedures for the management of credit exposures, including guidelines to limit portfolio concentration and the establishment of an Assets and Liabilities Committee that actively monitors credit risk.

The credit policy is reviewed and approved by the Board of Directors.

(b) Interest rate risk

Interest rate risk is measured by the extent to which changes in market interest rates impact on margins and net interest income. To the extent the term structure of interest bearing assets differs from that of liabilities, net interest income will increase or decrease as a result of movements in interest rates.

Interest rate risk is managed by increasing or decreasing positions within limits specified by management. These limits restrict the potential effect of movements in interest rates on current earnings and on the value of interest sensitive assets and liabilities.

The interest rate policy is reviewed and approved by the Board of Directors.

(c) Liquidity risk

Liquidity risk arises in the general funding of activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

Management continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall strategy. In addition, the Bank holds a portfolio of liquid assets as part of its liquidity risk management strategy.

The Bank maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due.

The liquidity policy is reviewed and approved by the Board of Directors.

(d) Foreign exchange rate risk

The Bank has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either

greater or less than the liabilities in that currency. Management establishes limits and constantly monitors foreign currency positions in accordance with the regulations of the NBU and internally developed methodology.

The foreign currency policy is reviewed and approved by the Board of Directors.

27 Off-balance sheet credit commitments

(a) Guarantees and letters of credit

The Bank issues guarantees on behalf of its customers. These instruments bear a credit risk similar to that of loans granted. The contractual amounts outstanding as of December 31 are as follows and are shown based on the contractual maturity of the instrument:

	2010	2009
<i>(in thousands of US dollars)</i>		
Guarantees maturing in:		
2010	-	16,604
2011	19,492	-
	19,492	-
Total	19,492	16,604

As of December 31, 2010 and 2009, guarantees amounting to USD 4,993 thousand and USD 13,012 thousand, respectively, are cash collateralized.

As of December 31, 2010, guarantees amounting to USD 1,736 thousand are collateralized by guarantees from Citigroup entities (December 31, 2009: nil).

The total outstanding contractual amount of guarantees and letters of credit do not necessarily represent future cash requirements, as many of these commitments may expire or terminate without being funded. The contractual maturity of the instruments described above is the latest date that the Bank may be called to honor its obligation under the instrument.

(b) Import letters of credit

As of December 31, 2010 and 2009 the Bank issued import letters of credit amounting to USD 29,990 thousand and USD 9,490 thousand that mature in 2011 and 2010, respectively.

As of December 31, 2010 and 2009 import letters of credit are not cash collateralized.

(c) Export letters of credit

As of December 31, 2010 and 2009, the Bank issued export letters of credit amounting to USD 220 thousand and USD 256 thousand that mature in 2011 and 2010, respectively.

(d) Undrawn loan commitments

As of December 31, 2010 the Bank had undrawn loan commitments of USD 15,000 thousand (December 31, 2009: nil).

28 Obligations under operating leases

Future minimum operating lease payments as of December 31 are as follows:

	2010	2009
<i>(in thousands of US dollars)</i>		
<i>Future minimum lease payments:</i>		
2010	-	167
2011	118	167
2012	118	167
2013	118	167
Remainder	368	473
	722	1,141
Total minimum lease payments	722	1,141

The leases typically run for an initial period of five years. None of the leases include contingent rentals.

During 2010 and 2009, USD 299 thousand and USD 309 thousand is recognized as operating lease expense, respectively.

29 Contingencies

(a) Insurance

The Bank does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of damage arising from accidents on Bank property or relating to operations. Until the Bank obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the operations and financial position.

(b) Litigation

The Bank is involved in various legal proceedings in the ordinary course of business. Management does not believe the result of any such actions will have a material effect on financial position or results of operations.

(c) Taxation contingencies

The Ukrainian tax system can be characterized by numerous taxes and frequently changing legislation. Tax regulations are often unclear, open to wide interpretation, and in some instances are conflicting. Instances of inconsistent opinions between local, regional and national tax authorities and between the National Bank of Ukraine and the Ministry of Finance are not unusual. Tax declarations are subject to review and investigation by a number of authorities that are enabled by law to impose significant penalties and interest charges. These facts create tax risks in Ukraine substantially more significant than typically found in countries with more developed tax systems.

Following legislation enacted in 2010, starting from 1 January 2011 a new tax code of Ukraine came into effect that implies certain changes in tax accounting. In particular the new tax code stipulates a decrease in corporate income tax rates from 25% to 23 % beginning 1 April 2011, 21% beginning 1 January 2012, 19% beginning 1 January 2013 and 16% beginning 1 January 2014.

Management believes it has complied with all existing tax legislation. However, there can be no assurance that the tax authorities will not have a different interpretation of the Bank's compliance with existing legislation and assess fines and penalties. No provision for potential tax assessments has been made in these financial statements.

30 Related party transactions

A significant proportion of transactions are with banks that are directly or indirectly owned by Citigroup, Inc., and a significant portion of its funding is from, and its credit exposures are to, other Citigroup entities.

The outstanding balances and the average interest rates thereon as of December 31 with other Citigroup entities are as follows:

	2010	Average Interest Rate	2009	Average Interest Rate
<i>(in thousands of US dollars)</i>				
Placements with other banks				
Nostro accounts	75,946	-	63,200	-
Loans				
Loans to directors, senior management and employees	1,604	14.0%	2,159	20.0%
Deposits and balances from other banks				
Vostro accounts	233	-	113	-
Term deposits	55,000	0.6%	-	-
Other liabilities				
Accrued expenses	1,279	-	2,420	-

Related party amounts included in the statement of income for the years ended December 31 are as follows:

	2010	2009
<i>(in thousands of US dollars)</i>		
Income Statement:		
Interest income	47	322
Interest expense	(9)	(2,747)
	<hr/>	<hr/>
Net interest income (expense)	38	(2,425)
	<hr/>	<hr/>
General and administration expenses	(2,041)	(231)
	<hr/>	<hr/>
Non-interest expense	(2,041)	(231)
	<hr/> <hr/>	<hr/> <hr/>

31 Cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows are composed of the following items:

	2010	2009
<i>(in thousands of US dollars)</i>		
Cash	1,085	1,202
Due from the NBU less restricted balance	14,768	30,600
Placements with other banks - nostro accounts	76,255	64,765
Total	92,108	96,567

32 Fair value of financial instruments

(i) *Fair Value of Financial Instruments*

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Management believes that the carrying amounts for all financial assets and liabilities approximate their fair value.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments.

Due from the National Bank of Ukraine, deposit certificates issued by the National Bank of Ukraine and placements with other banks: the carrying amounts approximate fair value because of the short maturity of these instruments.

Trading and available-for-sale securities: these are valued at fair value and the fair values are measured using quoted market prices multiplied by the quantity held when quoted market prices are available. If quoted market prices for those securities are not available, the fair value is determined using an income valuation technique (present value using the discount rate adjustment technique) that considers, among other things, interest rates, the issuer's credit spread, and illiquidity by sector and maturity.

Loans: the carrying amount approximates the fair value because of their short term nature and market rates of interest.

Deposits and balances from other banks, current accounts and deposit accounts: the carrying amounts approximate fair value because of the short maturity and market rates of interest.

(ii) Fair Value Hierarchy

The Bank adopted ASC 820-10, *Fair Value Measurements and Disclosures* as of January 1, 2008 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank has the ability to access at the measurement date
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 inputs are unobservable inputs for the asset or liability

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents assets and liabilities that are measured at fair value on a recurring basis at December 31, 2010:

	Fair value	Fair Value Measurements as of December 31, 2010 using		
	December 31, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>(in thousands of US dollars)</i>				
Assets:				
Trading securities	69,314	69,314	-	-
Securities available-for-sale	146,448	146,448	-	-
	<u>215,762</u>	<u>215,762</u>	<u>-</u>	<u>-</u>
Total assets	215,762	215,762	-	-

The following table presents assets and liabilities that are measured at fair value on a recurring basis at December 31, 2009:

	Fair value	Fair Value Measurements as of December 31, 2009 using		
	December 31, 2009	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
<i>(in thousands of US dollars)</i>				
Assets:				
Securities available-for-sale	51,775	51,078	697	-
	<u>51,775</u>	<u>51,078</u>	<u>697</u>	<u>-</u>

The following table presents the activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3), namely trading securities for the year ended December 31:

	2010	2009
<i>(in thousands of US dollars)</i>		
Balance as of January 1	-	2,897
Realized and unrealized gains losses included in net income from trading securities	-	1,081
Sales	-	3,943
Currency translation	-	35
	-	-
Balance as of December 31	-	-
Change in unrealized gains relating to trading securities	-	935

33 Average effective interest rates

The table below displays interest bearing assets and liabilities as of December 31 and their corresponding average effective interest rates as of that date. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2010				2009			
	UAH	USD	EURO	Other currencies	UAH	USD	EURO	Other currencies
Deposit certificates issued by the National Bank of Ukraine	6.1%	-	-	-	4.0%	-	-	-
Placements with other banks - Deposits	4.3%	0.4%	-	-	14.9%	0.4%	-	-
Trading securities	11.4%	-	-	-	-	-	-	-
Securities available-for-sale	11.8%	-	-	-	24.4%	-	-	-
Loans	11.2%	5.0%	3.3%	-	25.6%	6.3%	4.3%	-
Deposits and balances from other banks - <i>Term deposits</i>	3.1%	0.2%	0.2%	-	10.1%	0.1%	-	-
Current accounts	2.3%	0.5%	0.2%	0.4%	3.5%	0.5%	0.1%	0.3%
Deposit accounts	1.1%	0.1%	0.2%	-	14.1%	1.2%	0.1%	-

34 Maturity analysis

The following tables show assets and liabilities by remaining contractual maturity dates as of December 31, 2010:

	Within one month	From one to three months	From three to six months	From six months to one year	More than one year	No maturity	Total
<i>(in thousands of US dollars)</i>							
Assets							
Cash	1,085	-	-	-	-	-	1,085
Due from the National Bank of Ukraine	19,536	-	-	-	-	-	19,536
Deposit certificates issued by the National Bank of Ukraine	50,428	62,808	-	-	-	-	113,236
Placements with other banks	86,201	487	-	-	-	-	86,688
Trading securities	69,314	-	-	-	-	-	69,314
Securities available-for-sale	-	112	-	-	146,336	-	146,448
Loans	208,639	54,682	845	2,009	3,001	-	269,176
Deferred tax assets	1,473	-	-	-	-	-	1,473
Property, equipment and intangible assets	-	-	-	-	-	4,873	4,873
Other assets	527	-	-	12,145	-	-	12,672
Total assets	437,203	118,089	845	14,154	149,337	4,873	724,501
Liabilities							
Deposits and balances from other banks	77,977	-	-	-	20,001	-	97,978
Current accounts	374,085	-	-	-	-	-	374,085
Deposit accounts	135,825	11,327	4,961	2,074	-	-	154,187
Deferred tax liabilities	2,709	1,423	-	-	3,310	-	7,442
Other liabilities	4,718	-	-	-	-	-	4,718
Total liabilities	595,314	12,750	4,961	2,074	23,311	-	638,410
Liquidity gap for the period	(158,111)	105,339	(4,116)	12,080	126,026	4,873	86,091
Net position as of December 31, 2010	(158,111)	(52,772)	(56,888)	(44,808)	81,218	86,091	-

The following tables show assets and liabilities by remaining contractual maturity dates as of December 31, 2009:

	Within one month	From one to three months	From three to six months	From six months to one year	More than one year	No maturity	Total
<i>(in thousands of US dollars)</i>							
Assets							
Cash	1,202	-	-	-	-	-	1,202
Due from the National Bank of Ukraine	30,600	4,085	-	-	-	-	34,685
Deposit certificates issued by the National Bank of Ukraine	62,907	-	-	-	-	-	62,907
Placements with other banks	73,811	-	-	-	-	-	73,811
Securities available-for-sale	-	-	8,594	12,523	30,658	-	51,775
Loans	102,435	175,254	1,049	343	4,778	-	283,859
Deferred tax assets	1,314	1,888	-	-	-	-	3,202
Property, equipment and intangible assets	-	-	-	-	-	4,802	4,802
Other assets	2,189	-	-	-	-	-	2,189
Total assets	<u>274,458</u>	<u>181,227</u>	<u>9,643</u>	<u>12,866</u>	<u>35,436</u>	<u>4,802</u>	<u>518,432</u>
Liabilities							
Deposits and balances from other banks	32,917	-	-	-	-	-	32,917
Current accounts	277,796	-	-	-	-	-	277,796
Deposit accounts	89,346	1,252	4,008	13,565	-	-	108,171
Deferred tax liabilities	-	-	235	342	839	299	1,715
Other liabilities	4,409	-	-	-	-	-	4,409
Total liabilities	<u>404,468</u>	<u>1,252</u>	<u>4,243</u>	<u>13,907</u>	<u>839</u>	<u>299</u>	<u>425,008</u>
Liquidity gap for the period	<u>(130,010)</u>	<u>179,975</u>	<u>5,400</u>	<u>(1,041)</u>	<u>34,597</u>	<u>4,503</u>	<u>93,424</u>
Net position as of December 31, 2009	<u>(130,010)</u>	<u>49,965</u>	<u>55,365</u>	<u>54,324</u>	<u>88,921</u>	<u>93,424</u>	<u>-</u>

35 Currency analysis

The following table shows the currency structure of assets and liabilities as of December 31, 2010:

	UAH	USD	EURO	Other currencies	Total
<i>(in thousands of US dollars)</i>					
Assets					
Cash	372	398	271	44	1,085
Due from the National Bank of Ukraine	19,536	-	-	-	19,536
Deposit certificates issued by the National Bank of Ukraine	113,236	-	-	-	113,236
Placements with other banks	10,191	56,400	19,159	938	86,688
Trading securities	69,314	-	-	-	69,314
Securities available-for-sale	146,448	-	-	-	146,448
Loans	200,570	54,701	13,905	-	269,176
Deferred tax asset	1,473	-	-	-	1,473
Property, equipment and intangible assets	4,873	-	-	-	4,873
Other assets	9,753	2,897	22	-	12,672
Total assets	575,766	114,396	33,357	982	724,501
Liabilities					
Deposits and balances from other banks	42,975	55,003	-	-	97,978
Current accounts	295,386	55,282	22,429	988	374,085
Deposit accounts	136,631	6,521	11,035	-	154,187
Deferred tax liability	7,442	-	-	-	7,442
Other liabilities	3,050	1,209	459	-	4,718
Total liabilities	485,484	118,015	33,923	988	638,410
Net position	90,282	(3,619)	(566)	(6)	-

The following table shows the currency structure of assets and liabilities as of December 31, 2009:

	UAH	USD	EURO	Other currencies	Total
<i>(in thousands of US dollars)</i>					
Assets					
Cash	306	318	540	38	1,202
Due from the National Bank of Ukraine	34,685	-	-	-	34,685
Deposit certificates issued by the National Bank of Ukraine	62,907	-	-	-	62,907
Placements with other banks	8,818	30,842	29,837	4,314	73,811
Securities available-for-sale	51,775	-	-	-	51,775
Loans	233,835	44,590	5,434	-	283,859
Deferred tax asset	3,202	-	-	-	3,202
Property, equipment and intangible assets	4,802	-	-	-	4,802
Other assets	2,189	-	-	-	2,189
Total assets	402,519	75,750	35,811	4,352	518,432
Liabilities					
Deposits and balances from other banks	24,915	8,002	-	-	32,917
Current accounts	197,641	54,076	19,180	6,899	277,796
Deposit accounts	87,815	4,174	16,182	-	108,171
Deferred tax liability	1,715	-	-	-	1,715
Other liabilities	4,409	-	-	-	4,409
Total liabilities	316,495	66,252	35,362	6,899	425,008
Net position	86,024	9,498	449	2,547	93,424

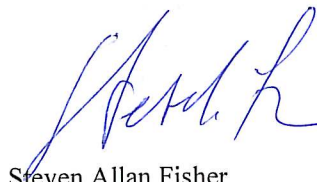
36 Capital adequacy

Capital adequacy is calculated under the methodology set out by the Bank for International Settlements in the Basle Accord, using the definition of capital adopted by the NBU. Tier I capital is represented by common stock, additional paid-in capital, accumulated other comprehensive loss and retained earnings.

As of December 31, 2010 the total capital adequacy ratio calculated in accordance with the Basle Accord is 24.4% and the Tier I ratio is 24.4% (December 31, 2009: 29.4% and 29.4%, respectively).

37 Subsequent events

The Bank has evaluated subsequent events from the balance sheet date through September 14, 2011, the date at which the financial statements were available to be issued, and determined there are no items to disclose.



Steven Allan Fisher
Chairman of the Board
September 14, 2011



Dmitry Kuzmin
Chief Accountant



JSC KPMG Audit
11 Mykhaylivska St
01001 Kyiv
Ukraine

Telephone +380 (44) 490 5507
Telefax +380 (44) 490 5508
Internet www.kpmg.ua

Independent Auditors' Report

To the Board of Management of
Public Joint Stock Company "Citibank"

We have audited the accompanying balance sheets of Public Joint Stock Company "Citibank" (the Bank) as of December 31, 2010 and 2009 and the related statements of income and comprehensive income, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as discussed in the following paragraph, we conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

We were unable to satisfy ourselves as to the accuracy of the amounts related to the Bank's ultimate parent company's stock option plan included in other liabilities stated at USD 16 thousand and USD 490 thousand as of December 31, 2010 and 2009, respectively, and salaries and employee benefit expenses of USD 477 thousand and USD 356 thousand and related tax effects for the years ended December 31, 2010 and 2009, respectively.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves in respect of the matter described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Bank as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

JSC KPMG Audit

JSC KPMG Audit
September 14, 2011