

OPEN JOINT STOCK BANK “UKRGASBANK”

Independent Auditors' Report

Financial Statements

For the Years Ended 31 December 2006,
2005 and 2004

OPEN JOINT STOCK BANK “UKRGASBANK”

TABLE OF CONTENTS

	Page
STATEMENT OF MANAGEMENT’S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS	1
INDEPENDENT AUDITORS’ REPORT	2
FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2006, 2005 AND 2004:	
Income statements	3
Balance sheets	4
Statements of changes in equity	5
Statements of cash flows	6-7
Notes to the financial statements	8-46

OPEN JOINT STOCK BANK "UKRGASBANK"

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2006, 2005 AND 2004

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditor's audit report set out on page 2, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the financial statements of the Open Joint Stock Bank "UkrGasBank" (the "Bank").

Management is responsible for the preparation of the financial statements that present fairly the financial position of the Bank at 31 December 2006, 2005 and 2004 the results of its operations, cash flows and changes in equity for the years then ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

- Selecting suitable accounting principles and applying them consistently
- Making judgments and estimates that are reasonable and prudent
- Stating whether IFRS have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Preparing the financial statements on a going concern basis, unless it is inappropriate to presume that the Bank will continue in business for the foreseeable future.

Management is also responsible for:

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

The financial statements for the years ended 31 December 2006, 2005 and 2004 were authorized for issue on 15 August 2007 by the Board.

On behalf of the Board

Vadim Lyashko, Chairman of the Board

15 August 2007



Ruslana Lechekhlib, Chief Accountant

15 August 2007

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of the Open Joint Stock Bank "UkrGasBank":

Report on the Financial Statements

We have audited the accompanying financial statements of the Open Joint Stock Bank "UkrGasBank" (the "Bank"), which comprise the balance sheets as at 31 December 2006, 2005 and 2004 and the statements of income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of the Bank as at 31 December 2006, 2005 and 2004 and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

15 August 2007

Audit • Tax • Consulting • Financial Advisory.

Member of
Deloitte Touche Tohmatsu

OPEN JOINT STOCK BANK "UKRGASBANK"

INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2006, 2005 AND 2004

(in Ukrainian hryvnias and in thousands)

	Notes	Year ended 31 December 2006	Year ended 31 December 2005	Year ended 31 December 2004
Interest income	4, 28	389,728	257,605	150,510
Interest expense	4, 28	<u>(241,322)</u>	<u>(162,117)</u>	<u>(101,494)</u>
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		148,406	95,488	49,016
Initial fair value recognition adjustment on interest bearing assets		(555)	(505)	(788)
Provision for impairment losses on interest bearing assets	5, 28	<u>(31,219)</u>	<u>(23,945)</u>	<u>(19,668)</u>
NET INTEREST INCOME		116,632	71,038	28,560
Net gain on foreign exchange operations	6	26,238	9,365	9,141
Net gain on precious metals operations		3,002	1,152	42
Fee and commission income	7	56,882	39,740	34,751
Fee and commission expense	7	<u>(12,460)</u>	<u>(8,446)</u>	<u>(6,064)</u>
Net realized gain on investments available for sale		2,843	16,953	26,830
Income on investment property	8	2,243	576	592
Other income	9	<u>1,812</u>	<u>2,006</u>	<u>2,657</u>
NET NON-INTEREST INCOME		80,560	61,346	67,949
OPERATING INCOME		197,192	132,384	96,509
OPERATING EXPENSES	10, 28	<u>(174,273)</u>	<u>(113,922)</u>	<u>(85,765)</u>
PROFIT BEFORE INCOME TAX		22,919	18,462	10,744
Income tax expense	11	<u>(10,151)</u>	<u>(7,269)</u>	<u>(3,797)</u>
NET PROFIT		<u>12,768</u>	<u>11,193</u>	<u>6,947</u>
EARNINGS PER SHARE (in UAH)	25	<u>0.07</u>	<u>0.08</u>	<u>0.07</u>

On behalf of the Board:

Vadim Lyashko, Chairman of the Board

15 August 2007
Kyiv



Ruslana Lechekhlib, Chief Accountant

15 August 2007
Kyiv

The notes on pages 8-46 form an integral part of these financial statements.

OPEN JOINT STOCK BANK "UKRGASBANK"

BALANCE SHEETS

AS AT 31 DECEMBER 2006, 2005 AND 2004

(in Ukrainian hryvnias and in thousands)

	Notes	31 December 2006	31 December 2005	31 December 2004
ASSETS:				
Cash and balances with the National Bank of Ukraine	12	294,172	288,341	130,612
Due from banks	13	1,253,225	565,701	180,868
Loans to customers	14, 28	2,061,413	1,229,723	940,095
Investments available for sale	15	401,304	125,824	50,982
Property, plant and equipment and intangible assets	17	409,197	219,743	88,479
Investment property	16	9,241	7,093	7,093
Other assets	18	44,374	7,199	9,218
TOTAL ASSETS		4,472,926	2,443,624	1,407,347
LIABILITIES AND EQUITY				
LIABILITIES:				
Due to banks	19	1,007,378	529,887	137,306
Other borrowed funds	20	105,781	-	-
Loans from National Bank of Ukraine		-	-	7,000
Customer accounts	21, 28	2,647,908	1,558,312	1,059,141
Debt securities issued	22	88,311	-	-
Deferred income tax liabilities	11	70,272	35,182	8,013
Other liabilities	23	13,697	5,719	5,264
Subordinated debt	24	50,509	50,509	50,508
Total liabilities		3,983,856	2,179,609	1,267,232
EQUITY:				
Share capital	25	312,835	182,650	132,775
Share premium	25	2,816	2,816	2,816
Property revaluation reserve		144,934	62,832	-
Retained earnings		28,485	15,717	4,524
Total equity		489,070	264,015	140,115
TOTAL LIABILITIES AND EQUITY		4,472,926	2,443,624	1,407,347

On behalf of the Board:

Vadim Lyashko, Chairman of the Board

15 August 2007

The notes on pages 8-46 form an integral part of these financial statements.

Ruslana Lechekhlil, Chief Accountant

15 August 2007

OPEN JOINT STOCK BANK “UKRGASBANK”

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2006, 2005 AND 2004

(in Ukrainian hryvnias and in thousands)

	Notes	Year ended 31 December 2006	Year ended 31 December 2005	Year ended 31 December 2004
CASH FLOWS FROM OPERATING ACTIVITIES:				
Profit before income tax		22,919	18,462	10,744
Adjustments for:				
Provision for impairment losses on interest bearing assets		31,219	23,945	19,668
Recovery of provision for impairment losses on other transactions		(52)	(494)	2,429
Dividend income		(2)	(3)	(5)
Unrealized gain and amortization of discounts on securities		(51,892)	(2,830)	(432)
Fair value adjustments		(1,538)	-	-
Unrealized gain on foreign exchange operations		968	1,312	605
Depreciation and amortization		18,358	13,061	9,902
Loss from property, plant and equipment and intangible assets disposal and impairment		172	1,055	905
Change in interest accruals, net		12,880	19,404	17,357
Initial recognition of loans		555	505	788
Amortization of premium on issued securities		(39)	-	-
		<u>33,548</u>	<u>74,417</u>	<u>61,961</u>
Cash flows from operating activities before changes in operating assets and liabilities				
Changes in operating assets and liabilities				
(Increase)/decrease in operating assets:				
Minimum reserve deposit with the National Bank of Ukraine		47,949	(67,695)	10,738
Due from banks		(687,845)	(384,309)	(61,722)
Loans to customers		(847,110)	(340,541)	(237,600)
Precious metals		(5,784)	423	(722)
Other assets		(948)	2,098	(807)
Increase/(decrease) in operating liabilities				
Due to banks		474,990	396,098	68,090
Loans from the National Bank of Ukraine		-	(7,000)	(12,340)
Other borrowed funds		105,394	-	-
Customer accounts		1,060,110	513,218	172,622
Other liabilities		6,343	480	716
		<u>186,647</u>	<u>187,189</u>	<u>936</u>
Cash inflow from operating activities before taxation				
Income tax paid		(1,907)	(262)	(32)
		<u>184,740</u>	<u>186,927</u>	<u>904</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of property, plant and equipment and intangible assets		(129,473)	(62,946)	(47,558)
Proceeds on sale of property, plant and equipment and intangible assets		600	1,342	348
Purchase of investments available for sale		(549,621)	(2,196,764)	(1,073,950)
Proceeds from sale of investments available for sale		326,384	2,124,730	1,033,904
		<u>(352,110)</u>	<u>(133,638)</u>	<u>(87,256)</u>
Net cash outflow from investing activities				

OPEN JOINT STOCK BANK “UKRGASBANK”

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2006, 2005 AND 2004 *(in Ukrainian Hryvnias and in thousands, unless otherwise stated)*

1. ORGANISATION

Open Joint Stock Bank “UkrGasBank” (the “Bank” or “UkrGasBank”) was legally established as a closed joint stock company on 22 August 1995 under the National Bank of Ukraine (“NBU”) license #183, from the former Closed Joint Stock Bank “Hadjibei”, which later was renamed to “Intergazbank”. On 27 May 1997 the Bank changed its name from Intergazbank to UkrGasBank. Subsequently, on 10 October 1997, UkrGasBank was re-registered with the NBU as an open joint stock company. In 1999, the Bank acquired two other Ukrainian banks – “Service Bank” located in Uzhgorod region and “Ukrnaftogasbank” which had a network of branches in different regions of Ukraine. Effective dates of acquisition were 14 January and 24 December 1999, respectively. In 2002 UkrGasBank acquired another bank – JSB “Narodniy Bank” with effective date of acquisition 30 June 2002. In November 2002 the Bank acquired branch in Kharkiv from JSB “Energobank”. In 2003 the Bank acquired branch of OJSB “Zahidbudgasbank” in Kamyanyets-Podilskiy. Effective date of acquisition was 8 January 2003. Acquired banks lost their legal status and became branches of the Bank.

The Bank’s primary business consists of commercial activities, trading with securities, foreign currencies, originating loans and guarantees, acceptance of deposits from legal entities and public, and processing of payments.

The registered office of the Bank is located at 1 Yerevanska St. in Kyiv.

As at 31 December 2006, 2005 and 2004 the Bank has 22, 21 and 20 branches operating in Ukraine.

The number of employees of the Bank as at 31 December 2006, 2005 and 2004 was 2,507, 1,900 and 1,564, respectively.

As at 31 December 2006, 2005 and 2004 the following shareholders owned the issued shares:

	31 December 2006, %	31 December 2005, %	31 December 2004, %
“Financial Investment Alliance” LLC	24.9	9.9	9.9
“Ukrainian venture capital” LLC	9.9	8.0	4.9
“Company “Ukrgasinvest plus” LLC	9.9	9.9	5.7
“Investanalytik” LLC	9.8	9.9	-
“Ukrainian company of projects development” LLC	9.6	7.1	9.9
“Stolychni budivelni tehnologii” LLC	6.4	-	-
Gorbal V.M.	3.9	6.9	1.4
“Arsenal-invest” LLC	3.9	-	-
“Brokinvest-Laert” CJSC	3.9	-	-
“Insurance company Tsentri” CJSC	3.0	-	-
National JSC “Naftogas Ukraine”	2.9	5.2	7.3
“New Gas Technology” LLC	0.4	14.9	11.0
“Administrator of pension funds “Ukraine-service” LLC	-	4.6	6.9
“Investenergo” LLC	-	4.8	6.8
“Ukrainski budivelni innovatsii” LLC	-	5.1	6.1
“Inter Invest Consulting” LLC	-	-	5.2
Other	11.5	13.7	24.9
Total	100.0	100.0	100.0

Mr. Gorbal V.M. and Mr. Omelyanenko O.A. exercise control over the Bank through direct and indirect ownership.

These financial statements were authorized for issue by the Bank’s Board on 15 August 2007.

2. BASIS OF PRESENTATION

Accounting basis

These financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

These financial statements are presented in thousands of Ukrainian Hryvnias (“UAH”), unless otherwise indicated. These financial statements have been prepared under the historical cost convention, except for the measurement at fair value of certain financial instruments under International Accounting Standard (“IAS”) No. 39 “Financial instruments: recognition and measurement”, measurement of buildings at revalued amounts according to IAS 16 “Property, Plant and Equipment” and investment property at fair value according to IAS 40 “Investment property”.

In accordance with IAS 29 “Financial Reporting in Hyperinflationary Economies” (“IAS 29”) the economy of Ukraine was considered to be hyperinflationary during 2000 and prior years. From 1 January 2001, the Ukrainian economy is no longer considered to be hyperinflationary and the values of the Bank’s non-monetary assets, liabilities and shareholders’ equity as stated in measuring units as at 31 December 2000 have formed the basis for the amounts carried forward.

The Bank maintains its accounting records in accordance with Ukrainian law. These financial statements have been prepared from the Ukrainian statutory accounting records and have been adjusted to conform with IFRS. These adjustments include certain reclassifications to reflect the economic substance of underlying transactions including reclassifications of certain assets and liabilities, income and expenses to appropriate financial statement captions.

Key assumptions

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts. Such estimates and assumptions are based on the information available to the Bank’s management as of the date of the financial statements. Therefore, actual results could differ from those estimates and assumptions. Estimates that are particularly susceptible to change relate to the provisions for impairment losses and the fair value of financial instruments.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year, include:

	31 December 2006	31 December 2005	31 December 2004
Allowance for impairment on loans to customers	2,061,413	1,229,723	940,095
Investments available for sale	401,304	125,824	50,982
Investment property	9,241	7,093	7,093
Property, plant and equipment and intangible assets	409,197	219,743	88,479

Loans to customers are measured at amortised cost less allowance for impairment losses. The estimation of allowances for impairments involves the exercise of significant judgment.

The Bank estimates allowances for impairment with the objective of maintaining balance sheet provisions at a level believed by management to be sufficient to absorb probable losses incurred in the Bank’s loan portfolio. The calculation of provisions on impaired loans is based on the likelihood of the asset being written off and the estimated loss on such a write-off. These assessments are made using statistical techniques based on historic experience. These determinations are supplemented by various formulaic calculations and the application of management judgment.

The Bank considers accounting estimates related to provisions for loans as key sources of estimation uncertainty because: (i) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of losses relating to impaired loans and advances are based on recent performance experience, and (ii) any significant difference between the Bank's estimated losses (as reflected in the provisions) and actual losses will require the Bank to take provisions which, if significantly different, could have a material impact on its future income statement and its balance sheet. The Bank's assumptions about estimated losses are based on past performance, past customer behaviour, the credit quality of recent underwritten business and general economic conditions, which are not necessarily an indication of future losses.

In determining fair values of investments available for sale, for which a valuation technique was used as at 31 December 2006, the Bank applied following assumptions:

- assumption on the level of interest rates used for discounting - in the range from 15% to 19% for instruments classified as issued by non-related parties, and from 60% to 63% for instruments classified as issued by related parties;
- assumption on estimated timing of future cash flows (as presented in the maturity analysis);
- assumption on the level of credit risk by estimating allowance for impairment losses on the level of 0.06% of the gross amount of investments available for sale.

The below table represents the effect that a change in each of the assumptions mentioned above would have on the carrying amount of investments available for sale:

Assumption	Change in assumption by:	Effect on carrying amount	Change in assumption by:	Effect on carrying amount
Interest rates used for discounting	+1%	(4,175)	-1%	4,646
Expected timing of future cash flows	Later by one quarter	(16,398)	Earlier by one quarter	17,772
Effective rate of provisions for impairment losses	+1%	(4,016)	n/a	n/a

Functional currency

The functional currency of these financial statements is the Ukrainian Hryvnia ("UAH").

3. SIGNIFICANT ACCOUNTING POLICIES

Recognition and measurement of financial instruments

The Bank recognizes financial assets and liabilities on its balance sheet when it becomes a party to the contractual obligation of the instrument. Regular way purchase and sale of the financial assets and liabilities are recognized using settlement date accounting. Regular way purchases of financial instruments that will be subsequently measured at fair value between trade date and settlement date are accounted for in the same way as for acquired instruments.

Financial assets and liabilities are initially recognized at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss transaction costs that are directly attributable to acquisition or issue of the financial asset or financial liability. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent accounts with the National Bank of Ukraine, advances to banks in countries included in the Organization for Economic Co-operation and Development (“OECD”), except for margin deposits for operations with plastic cards, which may be converted to cash within a short period of time. For purposes of determining cash flows, the minimum reserve deposit required by the National Bank of Ukraine is not included as a cash equivalent due to restrictions on its availability.

Precious metals

Assets and liabilities denominated in precious metals are measured at fair value which is determined at the current rate computed based on the second fixing of the London Bullion Market rates using the UAH/USD exchange rate effective at the date. Changes in bid prices are recorded in net gain/(loss) on operations with precious metals in the income statement.

Due from banks

In the normal course of business, the Bank maintains advances and deposits for various periods of time with other banks. Due from banks with a fixed maturity term are subsequently measured at amortized cost using the effective interest method. Those that do not have fixed maturities are carried at amortized cost based on expected maturities. Amounts due from credit institutions are carried net of any allowance for impairment losses.

Loans to customers

Loans to customers are non-derivative assets with fixed or determinable payments that are not quoted in an active market other than those classified in other categories of financial assets.

Loans granted by the Bank with fixed maturities are initially recognized at fair value plus related transaction costs. Where the fair value of consideration given does not equal the fair value of the loan, for example where the loan is issued at lower than market rates, the difference between the fair value of consideration given and the fair value of the loan is recognized as a loss on initial recognition of the loan and included in the income statement according to nature of these losses. Subsequently, loans are carried at amortized cost using the effective interest method. Loans to customers that do not have fixed maturities are accounted for under the effective interest method based on expected maturity.

Loans to customers are carried net of any allowance for impairment losses.

Write off of loans and advances

Loans and advances are written off against allowance for impairment losses based on decision of the Board. Such decisions are taken when all available possibilities to collect the amounts due have been exercised and available collateral has been sold.

Repurchase and reverse repurchase agreements

The Bank enters into sale and purchase back agreements (“repos”) and purchase and sale back agreements (“reverse repos”) in the normal course of its business. Repos and reverse repos are utilized by the Bank as an element of its treasury management and trading business.

A repo is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. These agreements are accounted for as financing transactions. Financial assets sold under repo are retained in the financial statements and consideration received under these agreements is recorded as collateralized deposit received.

Assets purchased under reverse repos are recorded in the financial statements as cash placed on deposit which is collateralized by securities and other assets.

In the event that assets purchased under reverse repo are sold to third parties, the results are recorded with the gain or loss included in net gains/(losses) on respective assets. Any related income or expense arising from the pricing difference between purchase and sale of the underlying assets is recognized as interest income or expense.

Impairment of financial assets

The Bank accounts for impairment losses of financial assets when there is objective evidence that a financial asset or group of financial assets is impaired. Impairment losses are measured as the difference between carrying amounts and the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the financial asset's original effective interest rate, for financial assets which are carried at amortized cost. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. For financial assets carried at cost, the impairment losses are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

The determination of impairment losses is based on an analysis of the risk assets and reflects the amount which, in the judgment of management, is adequate to provide for losses incurred. Provisions are made as a result of an individual appraisal of risk assets for financial assets that are individually significant, and an individual or collective assessment for financial assets that are not individually significant.

The change in impairment losses is charged to profit, and the total of impairment losses is deducted in arriving at assets as shown in the balance sheet. Factors that the Bank considers in determining whether it has objective evidence that an impairment loss has been incurred include information about the debtors' or issuers' liquidity, solvency and business and financial risk exposures, levels of and trends in delinquencies for similar financial assets, national and local economic trends and conditions, and the fair value of collateral and guarantees. These and other factors may, either individually or taken together, provide sufficient objective evidence that an impairment loss has been incurred in a financial asset or group of financial assets.

The Bank accounts for impairment losses on financial assets at amortised cost using allowance account, and for financial assets measured at cost through direct write off.

It should be understood that estimates of losses involve an exercise of judgment. While it is possible that in particular periods the Bank may sustain losses that are substantial relative to the allowance for impairment losses, it is the judgment of management that the allowance for impairment losses is adequate to absorb losses incurred on the risk assets.

Investments available for sale

Investments available for sale represent debt and equity investments that are intended to be held for an indefinite period of time. Such securities are initially recorded at fair value. Subsequently the securities are measured at fair value, with such re-measurement recognized directly in equity until sold when gain/loss previously recorded in equity recycles through the income statement, except for impairment losses, foreign exchange gains or losses and interest income accrued using the effective interest method, which are recognized directly in the income statement.

The Bank uses quoted market prices to determine fair value of investments available for sale.

If the market for investments is not active, particularly in case of bonds issued for financing of construction (Note 15), the Bank establishes fair value by using a valuation technique. Valuation techniques include discounted cash flow analysis. For other non-market investments the valuation techniques include recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Bank uses that technique. Interest earned on investments available for sale is reflected in the income statement as interest income on investment securities.

Non-marketable debt and equity securities are stated at amortized cost and cost, respectively, less impairment losses, if any, unless fair value can be reliably measured.

When there is objective evidence that such securities have been impaired, the cumulative loss previously recognized in equity is removed from equity and recognized in the income statement for the period. Reversals of such impairment losses on debt instruments, which are objectively related to events occurring after the impairment, are recognized in the income statement for the period. Reversals of such impairment losses on equity instruments are not recognized in the income statement.

Property, plant and equipment and intangible assets

Equipment and intangible assets, acquired after 1 January 2001 are carried at historical cost less accumulated depreciation and any recognized impairment loss, if any. Equipment and intangible assets, acquired before 1 January 2001 are carried at historical cost restated for inflation less accumulated depreciation and any recognized impairment loss, if any. Depreciation on assets under construction and those not placed in service commences from the date the assets are ready for their intended use.

Depreciation of equipment and intangible assets is charged on the carrying value of assets and is designed to write off assets over their useful economic lives. It is calculated on a straight line basis at the following annual prescribed rates:

Leasehold improvements	15%
Furniture, vehicles and equipment	10%-25%
Intangible assets	25%-30%

Leasehold improvements are amortized over the life of the related leased asset. Expenses related to repairs and renewals are charged when incurred and included in operating expenses unless they qualify for capitalization.

The carrying amounts of property, plant and equipment and intangible assets are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount.

An impairment is recognized in the respective period and is included in operating expenses. After the recognition of an impairment loss the depreciation charge for property and equipment is adjusted in future periods to allocate the assets' revised carrying value, less its residual value (if any), on a systematic basis over its remaining useful life.

Land and buildings held for use in supply of services, or for administrative purposes, are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by professional independent appraisers, less any subsequent accumulated depreciation. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date. Any revaluation increase arising on the revaluation of such land and buildings is credited to the property and equipment revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously

recognized as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. If an asset's carrying value is decreased as a result of revaluation, the decrease is debited directly to equity under the heading of property, plant and equipment revaluation reserve to the extent of any credit balance existing in the property, plant and equipment revaluation reserve in respect of that asset, otherwise, the decrease is recognized in the income statement.

Buildings are amortized during their useful lives estimated by the Bank of up to fifty years.

Depreciation on revalued buildings is charged to the income statement.

Investment property

Investment property, comprising office buildings, is held for long-term rental yields or appreciation in value and is not occupied by the Bank. Investment property is initially measured at cost together with transaction costs. Subsequent to initial recognition, investment property is carried at fair value with gain or loss resulting from a change in the fair value of investment property recognized in profit or loss for the period in which it arises.

Taxation

Income tax expense represents the sum of the current and deferred tax expense.

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Bank's current tax expense is calculated using tax rates that have been enacted during the reporting periods.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Ukraine also has various other taxes, which are assessed on the Bank's activities. These taxes are included as a component of operating expenses in the income statement.

Deposits from banks, customers, subordinated debt, other borrowed funds and debt securities issued

Deposits from banks, customers, subordinated debt, other borrowed funds and debt securities issued are initially recognized at fair value, which amounts to the issue proceeds less transaction costs incurred. Subsequently amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Provisions

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

Financial guarantee contracts issued and letters of credit

Financial guarantee contracts and letters of credit issued by the Bank are credit insurance that provides for specified payments to be made to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due under the original or modified terms of a debt instrument. Such financial guarantee contracts and letters of credit issued are initially recognized at fair value. Subsequently they are measured at the higher of (a) the amount recognized as a provision and (b) the amount initially recognized less, where appropriate, cumulative amortization of initial premium revenue received over the financial guarantee contracts or letter of credit issued.

Share capital and share premium

Contributions to share capital, made before 1 January 2001 are recognized at their cost restated for inflation. Contributions to share capital, made after 1 January 2001 are recognized at cost. Share premium represents the excess of contributions over the nominal value of the shares issued. Gains and losses on sales of treasury stock are charged or credited to share premium.

Dividends on ordinary shares are recognized in equity as a reduction in the period in which they are declared. Dividends that are declared after the balance sheet date are treated as a subsequent event under International Accounting Standard 10 “Events after the Balance Sheet Date” (“IAS 10”) and disclosed accordingly.

Retirement and other benefit obligations

In accordance with the requirements of the Ukrainian legislation the Bank withholds amounts of pension contributions from employee salaries and pays them to state pension fund. State pension system provides for the calculation of current payments by the employer as a percentage of current total payments to staff. This expense is charged in the period the related salaries are earned. Upon retirement all retirement benefit payments are made by pension funds. Also the Bank has defined contribution pension arrangements with the “Administrator of pension funds “Ukraine-service” LLC, which requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged in the period the related salaries are earned. The Bank has no post-retirement benefits or significant other compensated benefits requiring accrual.

Recognition of income and expense

Interest income and expense are recognized on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Once a financial asset or a group of similar financial assets has been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest income also includes income earned on investments in securities. Other income is credited to income statement when the related transactions are completed.

Loan origination fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the loan. Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognized in the profit and loss over the remaining period of the loan commitment. Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognized in the profit and loss on expiry. Loan servicing fees are recognized as revenue as the services are provided. Loan syndication fees are recognized in the profit and loss when the syndication has been completed. All other commissions are recognized when services are provided.

Operating leases

Leases of assets under which the risks and rewards of ownership are effectively retained with the lessor are classified as operating leases. Lease payments under operating lease are recognized as expenses on a straight-line basis over the lease term and included into operating expenses.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into UAH at the appropriate spot rates of exchange ruling at the balance sheet date. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Profits and losses arising from these translations are included in net gain on foreign exchange operations.

Rates of exchange

The exchange rates at the year-end used by the Bank in the preparation of the financial statements are as follows:

	31 December 2006	31 December 2005	31 December 2004
UAH/1 US Dollar	5.050000	5.050000	5.305400
UAH/1 Euro	6.650850	5.971625	7.217466

Offset of financial assets and liabilities

Financial assets and liabilities are offset and reported net on the balance sheet when the Bank has a legally enforceable right to set off the recognized amounts and the Bank intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for derecognition, the Bank does not offset the transferred asset and the associated liability.

Fiduciary activities

The Bank provides trustee services to its customers. The Bank also provides depositary services to its customers that include transactions with securities on their depo accounts. Assets accepted and liabilities incurred under the fiduciary activities are not included in the Bank's financial statements. The Bank accepts the operational risk on these activities, but the Bank's customers bear the credit and market risks associated with such operations.

Adoption of new standards

At the date of authorization of these financial statements, the following Standards and Interpretations applicable to the Bank were issued but not yet effective:

- IFRS 7 "Financial Instruments: Disclosures" (effective 1 January 2007)
- Amendments to IAS 1 regarding disclosure on the Bank's objectives, policies and processes for managing capital (effective 1 January 2007).

The management is currently assessing the impact of the adoption of these new and revised Standards in future periods.

4. NET INTEREST INCOME

	Year ended 31 December 2006	Year ended 31 December 2005	Year ended 31 December 2004
Interest income			
Interest on loans to customers	284,712	230,245	137,890
Interest on due from banks	45,482	16,365	9,152
Interest on debt securities	59,534	10,995	3,468
	<u>389,728</u>	<u>257,605</u>	<u>150,510</u>
Total interest income			
Interest expense			
Interest on customer accounts	183,061	135,101	88,594
Interest on due to banks	44,992	21,016	10,900
Interest expense on own long-term securities issued by the bank (except deposit certificates)	6,587	-	-
Interest on subordinated debt	6,000	6,000	2,000
Interest on other borrowed funds	682	-	-
	<u>241,322</u>	<u>162,117</u>	<u>101,494</u>
Total interest expense			
Net interest income before provision for impairment losses on interest bearing assets	<u><u>148,406</u></u>	<u><u>95,488</u></u>	<u><u>49,016</u></u>

5. ALLOWANCE FOR IMPAIRMENT LOSSES, OTHER PROVISIONS

The movements in allowance for impairment losses on interest earning assets were as follows:

	Due from banks	Loans to customers	Total
31 December 2003	818	29,419	30,237
Provision/(Recovery of provision)	1,203	18,465	19,668
Loan write-offs	-	(249)	(249)
Exchange difference	5	(18)	(13)
	<u>2,026</u>	<u>47,617</u>	<u>49,643</u>
31 December 2004			
(Recovery of provision)/ Provision	(36)	23,981	23,945
Write-off of assets	-	(2,254)	(2,254)
	<u>1,990</u>	<u>69,344</u>	<u>71,334</u>
31 December 2005			
Provision/(Recovery of provision)	-	31,219	31,219
Write-off of assets	-	(737)	(737)
	<u>1,990</u>	<u>99,826</u>	<u>101,816</u>
31 December 2006	<u><u>1,990</u></u>	<u><u>99,826</u></u>	<u><u>101,816</u></u>

The movements in allowances for impairment losses on other transactions were as follows:

	Investments available for sale	Other assets	Guarantees and other commitments	Total
31 December 2003	895	347	814	2,056
Provision	(178)	999	1,608	2,429
Write-offs	-	(138)	-	(138)
31 December 2004	717	1,208	2,422	4,347
(Recovery of provision)/Provision	22	(29)	(487)	(494)
Write-off of assets	-	(25)	-	(25)
31 December 2005	739	1,154	1,935	3,828
Provision/(Recovery of provision)	(403)	376	(25)	(52)
31 December 2006	336	1,530	1,910	3,776

Allowances for impairment of assets are deducted from the related assets. Provision for guarantees and other commitments are recorded in other liabilities.

6. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

Net gain on foreign exchange operations comprises:

	Year ended 31 December 2006	Year ended 31 December 2005	Year ended 31 December 2004
Dealing, net	27,206	9,525	9,746
Translation differences, net	(968)	(160)	(605)
Total net gain on foreign exchange operations	26,238	9,365	9,141

7. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income and expense comprise:

	Year ended 31 December 2006	Year ended 31 December 2005	Year ended 31 December 2004
Fee and commission income:			
Settlements	46,665	33,165	26,930
Foreign exchange operations	7,167	4,166	5,835
Loan operations	829	170	1,193
Securities operations	1,030	689	115
Other	1,191	1,550	678
Total fee and commission income	56,882	39,740	34,751
Fee and commission expense:			
Settlements	7,247	5,229	3,884
Foreign currency operations	5,179	3,208	2,151
Other	34	9	29
Total fee and commission expense	12,460	8,446	6,064

8. INCOME ON INVESTMENT PROPERTY

Income on investment property comprises:

	Year ended 31 December 2006	Year ended 31 December 2005	Year ended 31 December 2004
Revaluation of investment property	1,538	-	-
Rental income on investment property	705	576	592
Total income on investment property	2,243	576	592

9. OTHER INCOME

Other income comprises:

	Year ended 31 December 2006	Year ended 31 December 2005	Year ended 31 December 2004
Fines and penalties received	666	773	718
Other non-banking income	373	671	278
Other	773	562	1,661
Total other income	1,812	2,006	2,657

10. OPERATING EXPENSES

Operating expenses comprise:

	Year ended 31 December 2006	Year ended 31 December 2005	Year ended 31 December 2004
Staff costs	81,073	47,682	28,094
Depreciation and amortization	18,358	13,061	9,902
Communication	16,124	13,378	10,936
Operating lease expenses	10,428	8,671	9,958
Taxes other than income tax	10,700	5,513	4,180
Repairs and maintenance	8,249	5,875	4,300
Advertising	6,061	4,678	2,447
General bank expenses	5,299	3,760	1,784
Security expenses	3,542	2,851	2,439
Payments to non-government pension fund	2,945	1,491	1,153
Professional services fees	2,769	1,356	639
Business trip expenses	1,529	635	341
Charity	1,202	872	475
Losses from disposals of property, plant and equipment and intangible assets	172	753	-
Fines and penalties	126	96	269
Representative expenses	47	376	213
Insurance expense	17	30	3,519
Impairment of property	-	302	-
(Provision)/Recovery of provision for impairment losses on other transactions	(52)	(494)	2,429
Other	5,684	3,036	2,687
Total operating expenses	174,273	113,922	85,765

11. INCOME TAXES

The Bank provides for taxes based on the tax accounts maintained and prepared in accordance with the tax regulations of countries where the Bank and its subsidiaries operate and which may differ from International Financial Reporting Standards.

The Bank is subject to certain permanent tax differences due to non-tax deductibility of certain expenses and a tax free regime for certain income.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2006, 2005 and 2004 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Temporary differences as at 31 December 2006, 2005 and 2004 comprise:

	31 December 2006	31 December 2005	31 December 2004
Deductible temporary differences:			
Allowance for assets	16,299	8,039	7,108
Accrued interest	587	5,262	2,960
Loans to customers	3,837	1,626	2,508
Other liabilities	7,041	2,531	3,344
Debt securities issued	3,801	-	-
Other assets	-	1,640	4,784
	<u>-</u>	<u>1,640</u>	<u>4,784</u>
Total deductible temporary differences	<u>31,565</u>	<u>19,098</u>	<u>20,704</u>
Taxable temporary differences:			
Property, plant and equipment and intangible assets	(194,440)	(83,363)	-
Securities available for sale	(107,055)	(71,374)	(40,168)
Accrued interest	(8,702)	(5,090)	(10,788)
Other borrowed funds	(1,025)	-	-
Other assets	(1,432)	-	(1,800)
	<u>(312,654)</u>	<u>(159,827)</u>	<u>(52,756)</u>
Total taxable temporary differences	<u>(312,654)</u>	<u>(159,827)</u>	<u>(52,756)</u>
Net taxable temporary differences	<u>(281,089)</u>	<u>(140,729)</u>	<u>(32,052)</u>
Net deferred tax liability (25%)	<u>(70,272)</u>	<u>(35,182)</u>	<u>(8,013)</u>

Relationships between tax expenses and accounting profit for the years ended 31 December 2006, 2005 and 2004 are explained as follows:

	Year ended 31 December 2006	Year ended 31 December 2005	Year ended 31 December 2004
Profit before income tax	<u>22,919</u>	<u>18,462</u>	<u>10,744</u>
Statutory tax rate	25%	25%	25%
Tax at the statutory tax rate	5,730	4,616	2,686
Tax effect of permanent differences	4,421	2,653	980
Loss carried forward	-	-	131
	<u>-</u>	<u>-</u>	<u>131</u>
Income tax expense	<u>10,151</u>	<u>7,269</u>	<u>3,797</u>
Current income tax expense	2,429	1,044	148
Provision for deferred tax liabilities	7,722	6,225	3,649
	<u>7,722</u>	<u>6,225</u>	<u>3,649</u>
Income tax expense	<u>10,151</u>	<u>7,269</u>	<u>3,797</u>

	Year ended 31 December 2006	Year ended 31 December 2005	Year ended 31 December 2004
Deferred income tax liabilities			
Beginning of the period	<u>35,182</u>	<u>8,013</u>	<u>4,364</u>
Tax effect of changes in property and equipment revaluation reserve	27,368	20,944	-
Deferred income tax expense	<u>7,722</u>	<u>6,225</u>	<u>3,649</u>
End of the period	<u>70,272</u>	<u>35,182</u>	<u>8,013</u>

12. CASH AND BALANCES WITH THE NATIONAL BANK OF UKRAINE

	31 December 2006	31 December 2005	31 December 2004
Cash	194,103	87,663	51,734
Balances with the National Bank of Ukraine	<u>100,069</u>	<u>200,678</u>	<u>78,878</u>
Total cash and balances with the National Bank of Ukraine	<u>294,172</u>	<u>288,341</u>	<u>130,612</u>

The balances with the National Bank of Ukraine as at 31 December 2006, 2005 and 2004 include UAH 56,092 thousand, UAH 104,041 thousand and UAH 37,192 thousand, respectively, which represent the obligatory minimum reserve deposits with the NBU. The Bank is required to maintain the reserve balance at the NBU at all times.

Cash and cash equivalents for the purposes of the statement of cash flows comprise the following:

	31 December 2006	31 December 2005	31 December 2004
Cash and balances with the National Bank of Ukraine	294,172	288,341	130,612
Due from banks in OECD countries (Note 13)	29,246	26,605	15,912
Less restricted cash	<u>(14,009)</u>	<u>(7,835)</u>	<u>(6,446)</u>
Less minimum reserve deposits with the NBU	<u>(56,092)</u>	<u>(104,041)</u>	<u>(37,192)</u>
Total cash and cash equivalents	<u>253,317</u>	<u>203,070</u>	<u>102,886</u>

13. DUE FROM BANKS

Due from banks comprise:

	31 December 2006	31 December 2005	31 December 2004
Time deposits with other banks	986,776	368,546	113,040
Correspondent accounts with other banks	189,486	192,480	69,854
Loans under reverse repurchase agreements	<u>78,953</u>	<u>6,665</u>	<u>-</u>
	1,255,215	567,691	182,894
Less allowance for impairment losses	<u>(1,990)</u>	<u>(1,990)</u>	<u>(2,026)</u>
Total due from banks	<u>1,253,225</u>	<u>565,701</u>	<u>180,868</u>

Movements in allowances for impairment losses on balances due from banks for the years ended 31 December 2006, 2005 and 2004 are disclosed in Note 5.

Included in due from banks is accrued interest in the amount of UAH 283 thousand, UAH 424 thousand and UAH 349 thousand as at 31 December 2006, 2005 and 2004, respectively.

As at 31 December 2006, 2005 and 2004 the Bank had due from ten, six and one bank, totaling UAH 864,099 thousand, UAH 360,813 thousand and UAH 52,404 thousand, respectively, which individually exceeded 10% of the Bank's equity.

As at 31 December 2006, 2005 and 2004 the maximum credit risk exposure on due from banks amounted to UAH 1,253,225 thousand, UAH 565,701 thousand and UAH 180,868 thousand, respectively. As at 31 December 2006, 2005 and 2004 a maximum credit risk exposure on loan commitments extended to other banks amounted to UAH 5,433 thousand, UAH 5,189 thousand and UAH 2,025 thousand, respectively.

During the years ended 31 December 2006, 2005 and 2004 the Bank simultaneously placed with and received short-term funds from Ukrainian banks in different currencies. As at 31 December 2006, 2005, and 2004 the Bank placed equivalent of UAH 678,958 thousand, UAH 363,727 thousand and UAH 95,572 thousand, respectively, as deposits with Ukrainian banks, which were received from the same banks (see Note 19).

As at 31 December 2006, 2005 and 2004 included in balances due from banks are guarantee deposits placed by the Bank for its operations with plastic cards in the amount of UAH 16,181 thousand, UAH 7,835 thousand and UAH 6,446 thousand, respectively.

As at 31 December 2006 and 2005 loans to banks included loans under reverse repurchase agreements in the amount of UAH 78,953 thousand and UAH 6,665 thousand, respectively, secured by bonds of Ukrainian companies with carrying values of UAH 78,953 thousand and UAH 6,665 thousand, respectively, which approximated their fair value.

14. LOANS TO CUSTOMERS

Loans to customers comprise:

	31 December 2006	31 December 2005	31 December 2004
Originated loans	2,161,239	1,299,067	987,712
Less allowance for impairment losses	<u>(99,826)</u>	<u>(69,344)</u>	<u>(47,617)</u>
Total loans to customers	<u>2,061,413</u>	<u>1,229,723</u>	<u>940,095</u>

As at 31 December 2006, 2005 and 2004 accrued interest income included in loans to customers amounted to UAH 23,219 thousand, UAH 14,701 thousand and UAH 21,185 thousand, respectively.

Movements in allowances for impairment losses for the years ended 31 December 2006, 2005 and 2004 are disclosed in Note 5.

	31 December 2006	31 December 2005	31 December 2004
Loans collateralized by real estate or rights thereon	865,020	367,432	193,103
Loans collateralized by equipment and other movables	374,617	121,412	85,353
Loans collateralized by cash	335,498	104,585	59,548
Loans collateralized by shares of other companies	151,651	244,657	410,173
Loans collateralized by accounts receivable	140,380	335,154	116,638
Loans collateralized by land plots	82,097	8,538	-
Loans collateralized by other assets	4,599	15,786	3,299
Loans collateralized by inventories	-	34,178	89,051
Unsecured loans	207,377	67,325	30,547
Less allowance for impairment losses	<u>(99,826)</u>	<u>(69,344)</u>	<u>(47,617)</u>
Total loans to customers	<u>2,061,413</u>	<u>1,229,723</u>	<u>940,095</u>

The above table summarized the amount of loans secured by collateral, rather than the fair value of the collateral itself.

	31 December 2006	31 December 2005	31 December 2004
Analysis by sector:			
Individuals	595,974	152,518	110,722
Trade	412,946	266,852	137,888
Manufacturing	321,736	97,767	143,371
Services	287,485	42,313	23,020
Construction	215,326	121,262	19,151
Agriculture and food processing	128,037	205,784	198,047
Financial sector	116,009	162,271	332,662
Transport and communication	79,252	99,347	18,033
Mining and metallurgy	3,870	145,208	-
Other	604	5,745	4,818
Less allowance for impairment losses	<u>(99,826)</u>	<u>(69,344)</u>	<u>(47,617)</u>
Total loans to customers	<u>2,061,413</u>	<u>1,229,723</u>	<u>940,095</u>

As at 31 December 2006, 2005 and 2004 the Bank provided loans to 11, 10 and 11 groups of customers, totaling UAH 680,986 thousand, UAH 601,098 thousand and UAH 496,513 thousand, respectively, which individually exceeded 10% of the Bank's equity.

As at 31 December 2006, 2005 and 2004 a maximum credit risk exposure of loans to customers amounted to UAH 2,061,413 thousand, UAH 1,229,723 thousand and UAH 940,095 thousand, respectively. As at 31 December 2006, 2005 and 2004 a maximum credit risk exposure on loan commitments and overdrafts extended by the Bank to its customers amounted to UAH 377,196 thousand, UAH 177,264 thousand and UAH 88,515 thousand, respectively.

As at 31 December 2006, 2005 and 2004 three, one and three loans to customers amounted to UAH 81,574 thousand, UAH 16,100 thousand and UAH 15,334 thousand, respectively, were pledged as collateral under deposit received from another bank (Note 19).

As at 31 December 2006 the Bank obtained a loan from State Mortgage Company in the amount of UAH 2,000 thousand with maturity on 27 July 2007, under 12% (Note 20). Under this agreement the Bank provided property rights for mortgage loans in total amount of UAH 2,400 thousand as collateral. The loan is granted with purpose of financing mortgage loans to individuals.

Loans to individuals by type of product as at 31 December 2006 comprised:

	31 December 2006
Mortgage loans and loans secured by property	280,291
Consumer loans	219,548
Auto loans	80,822
Other loans	<u>15,313</u>
Total loans to individuals	<u>595,974</u>

The Bank did not present a breakdown of loans to individuals by type of product as at 31 December 2005 and 2004 as the balance of such loans was not significant at those dates.

15. INVESTMENTS AVAILABLE FOR SALE

Investments available for sale comprise:

	Interest to nominal %	31 December 2006	31 December 2005	31 December 2004
Debt investments available for sale				
“Ukrainian engineering investment company” LLC	-	92,151	-	-
“Trade house DEKA” LLC	-	62,978	-	-
“Zhytlomarket KMB-1” LLC	-	37,182	61,416	-
“Stolichni budivelni tehnologii” LLC	-	36,257	-	-
VO “Zhytlomarket – invest” LLC	-	28,279	-	-
“Fundatsiya Yakisne zhytlo” LLC	-	25,789	-	-
FK “MKS-invest” LLC	0.01%	11,123	-	-
“Finansova leasingova group” LLC	-	10,390	-	-
BK “Tsytadel” LLC	N/a	10,015	-	-
TD “Berezan” LLC	3.5%	5,615	-	-
“Rodovid bank” OJSC	14%	32,253	-	-
Trest “Kyivmiskbud-1” OJSC	14%	20,107	-	-
“Stara fortetsya” DP	16%	5,878	-	-
“VO “Kyiv-Konti” CJSC	13%	-	15,184	-
“Fozzy Food” LLC	16%	-	5,078	-
State treasury notes	11%	-	970	4,728
“ProCredit Bank” CJSC	14%	-	-	4,938
“ZAZ” CJSC	15%	-	-	5,006
“Concern “Galnaftogaz” OJSC	17%	-	-	2,987
“Chornomornaftogaz” SJSC	15.5%	-	-	2,049
Other	-	-	342	186
		378,017	82,990	19,894

	Share %	31 December 2006	Share %	31 December 2005	Share %	31 December 2004
Equity investments available for sale						
“Trest “Kyivmiskbud - 1” im. Zagorodnego JSC	2.01%	20,050	0.10%	6,200	-	-
“Ukrainian Interbank Currency Exchange” CJSC	5.00%	1,800	5.00%	1,800	5.00%	1,800
“UkrCARD” OJSC	9.29%	1,300	9.29%	1,300	9.29%	1,300
“Evrocar” CJSC	-	-	9.97%	11,015	9.96%	7,001
SK “Evrosibinvest” CJSC	-	-	9.99%	9,999	-	-
“Pivdenno-Shidna strahova kompaniya” CJSC	-	-	9.99%	9,740	-	-
Insurance Company “Ukrainian insurance group” CJSC	-	-	4.90%	2,450	4.98%	2,490
“Energospetspostach” OJSC	-	-	-	-	4.06%	12,900
“Termoprylad” OJSC	-	-	-	-	1.56%	4,300
Insurance Company “USG “Zhyttya” CJSC	-	-	-	-	9.35%	935
“Insurance Company “Beregynya” OJSC	-	-	-	-	8.40%	261
Other	-	473	-	1,069	-	668
		23,623		43,573		31,655
Investments in non-consolidated associated companies						
“Stolichni budivelni tehnologii” LLC	-	-	-	-	75%	150
		401,640		126,563		51,699
Less allowance for impairment losses		(336)		(739)		(717)
Total investments available for sale		401,304		125,824		50,982

Movements in allowances for impairment losses for the years ended 31 December 2006, 2005 and 2004 are disclosed in Note 5.

As at 31 December 2006, 2005 and 2004 interest income on debt investments available for sale included accrued interest income of UAH 242 thousand, UAH 294 thousand and UAH 186 thousand, respectively..

As at 31 December 2006, 2005 and 2004 included in debt securities were bonds with discount issued by “Zhytlomarket KMB-1” LLC, “Trade house DEKA” LLC, “Ukrainian engineering investment company” LLC, “Fundatsiya Yakisne zhytlo” LLC, VO “Zhytlomarket-invest” LLC for the purpose of raising finance for completion of real estate construction in the amount of UAH 213,011 thousand, UAH 61,416 thousand and nil, respectively.

The issue of bonds of FK “MKS-invest” LLC is secured by the land plots.

16. INVESTMENT PROPERTY

	Year ended 31 December 2006	Year ended 31 December 2005	Year ended 31 December 2004
At the beginning of the period	<u>7,093</u>	<u>7,093</u>	<u>-</u>
Transferred from fixed assets	610	-	7,093
Change in fair value	<u>1,538</u>	<u>-</u>	<u>-</u>
At the end of the period	<u>9,241</u>	<u>7,093</u>	<u>7,093</u>

Included into other income is investment property rental income for the years ended 31 December 2006, 2005 and 2004 amounted to UAH 705 thousand, UAH 576 thousand and UAH 592 thousand, respectively (Note 8).

Operating expenses arising from the investment property that generated rental income during the years ended 31 December 2006, 2005 and 2004 amounted to UAH 47 thousand, UAH 50 thousand and UAH 16 thousand, respectively.

Investment property is revalued by independent appraisers on a regular basis.

17. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Buildings	Furniture, equipment, vehicles and leasehold improvements	Intangible assets	Construction in progress	Total
At initial/revalued cost					
31 December 2003	27,908	42,878	1,586	6,523	78,895
Additions	2,716	18,557	118	22,931	44,322
Transfers	1,238	1,556	80	(9,967)	(7,093)
Disposals	-	(2,664)	-	(12)	(2,676)
31 December 2004	31,862	60,327	1,784	19,475	113,448
Additions	-	20,844	373	41,729	62,946
Revaluation increase	66,799	-	-	16,675	83,474
Eliminated against accumulated depreciation on revaluation	(1,559)	-	-	-	(1,559)
Transfers	24,547	1,588	-	(26,135)	-
Disposals	(555)	(3,963)	(152)	(252)	(4,922)
31 December 2005	121,094	78,796	2,005	51,492	253,387
Additions	-	13,513	247	85,828	99,588
Revaluation increase	73,754	-	-	35,716	109,470
Eliminated against accumulated depreciation on revaluation	(2,737)	-	-	-	(2,737)
Transfers	12,673	12,407	140	(25,830)	(610)
Disposals	(46)	(3,736)	(31)	-	(3,813)
31 December 2006	204,738	100,980	2,361	147,206	455,285
Accumulated depreciation					
31 December 2003	420	15,401	669	-	16,490
Charge for the year	372	9,189	341	-	9,902
Eliminated on disposals	-	(1,423)	-	-	(1,423)
31 December 2004	792	23,167	1,010	-	24,969
Charge for the year	771	11,841	449	-	13,061
Eliminated on revaluation	(1,559)	-	-	-	(1,559)
Eliminated on disposals	(4)	(2,672)	(151)	-	(2,827)
31 December 2005	-	32,336	1,308	-	33,644
Charge for the year	2,737	15,258	363	-	18,358
Eliminated on revaluation	(2,737)	-	-	-	(2,737)
Eliminated on disposals	-	(3,146)	(31)	-	(3,177)
31 December 2006	-	44,448	1,640	-	46,088
Net book value					
31 December 2006	204,738	56,532	721	147,206	409,197
31 December 2005	121,094	46,460	697	51,492	219,743
31 December 2004	31,070	37,160	774	19,475	88,479
31 December 2003	27,488	27,477	917	6,523	62,405

Buildings and construction in progress owned by the Bank were revalued by independent appraisers as of 31 December 2006. The following methods were used for the estimation of their fair value: integrated cost estimation method (cost based method), method of analogous sales (comparative approach). For the estimation of the final value, certain weights were assigned to the results obtained using different approaches, depending on the degree to which the estimates met the following characteristics: reliability and completeness of the information, specifies the valued property and other.

Had the land and buildings been carried under the cost model, the total carrying amount of property as at 31 December 2006 would have been recognised in the amount of UAH 74,439 thousand. Had the construction in process been carried under the cost model, the total carrying amount of construction in process assets as at 31 December 2006 would have been recognised in the amount of UAH 94,815 thousand.

Intangible assets include software, patents and licenses

18. OTHER ASSETS

Other assets comprise:

	31 December 2006	31 December 2005	31 December 2004
Prepayments for property	31,799	2,050	4,054
Precious metals	6,929	1,145	722
Other income accrued	2,354	1,085	817
Prepayments and other accounts receivable	1,606	1,829	1,193
Current income tax asset	1,023	276	499
Prepaid expenses	736	461	1,470
Advances for stationery and other materials	658	488	892
Other	799	1,019	779
	<u>45,904</u>	<u>8,353</u>	<u>10,426</u>
Less allowance for impairment losses	<u>(1,530)</u>	<u>(1,154)</u>	<u>(1,208)</u>
Total other assets	<u>44,374</u>	<u>7,199</u>	<u>9,218</u>

Movements in allowances for impairment losses on other assets for the years ended 31 December 2006, 2005 and 2004 are disclosed in Note 5.

19. DUE TO BANKS

Due to banks comprise:

	31 December 2006	31 December 2005	31 December 2004
Correspondent accounts	357,569	203,057	35,017
Time deposits	649,809	326,830	102,289
Total due to banks	<u>1,007,378</u>	<u>529,887</u>	<u>137,306</u>

As at 31 December 2006, 2005 and 2004 accrued interest expenses included in due to banks amounted to UAH 501 thousand, UAH 331 thousand and UAH 10 thousand, respectively.

During 2006, 2005 and 2004 the Bank simultaneously placed with and received short-term funds from Ukrainian banks in different currencies (see Note 13).

As at 31 December 2006, 2005 and 2004 the due to banks in the amounts of UAH 771,826 thousand (74%), UAH 413,131 thousand (78%) and UAH 98,210 thousand (72%), respectively, were due to ten banks, which represents significant concentration.

As of 31 December 2006, 2005 and 2004 loans and advances from banks were collateralized by loans to customers in the amounts of UAH 81,574 thousand, UAH 16,100 thousand and UAH 15,334 thousand, respectively (Note 14).

20. OTHER BORROWED FUNDS

Other borrowed funds comprise:

	Currency	Maturity	Interest rate %	31 December 2006	31 December 2005	31 December 2004
Standard Bank London LTD	USD	5 December 2007	LIBOR +3.1%	80,117	-	-
Cargill Financial Service International Inc	USD	17 December 2007	6.9%	23,664	-	-
State Mortgage Company	UAH	27 July 2007	12.0%	2,000	-	-
Total other borrowed funds				105,781	-	-

As at 31 December 2006 accrued interest expense is included in other borrowed funds amounting to UAH 387 thousand.

As at 31 December 2006 loans from financial institutions included loans from Standard Bank London LTD in the amount of USD 15,865 thousand (UAH 80,117 thousand) maturing on 5 December 2007, under LIBOR +3.1% (rate is reviewed quarterly).

As at 31 December 2006 the Bank obtained a loan from Cargill Financial Service International Inc in the amount of USD 4,686 thousand (UAH 23,664 thousand) with maturity on 17 December 2007, under 6.9% per annum.

Loans were granted for financing export-import operations of the Bank's clients.

As at 31 December 2006 the Bank obtained a loan from State Mortgage Company in the amount of UAH 2,000 thousand with maturity on 27 July 2007, under 12%. Under this agreement the Bank provided property rights for mortgage loans in total amount of UAH 2,400 thousand as collateral (Note 14). The loan is granted with purpose of financing mortgage loans to individuals.

21. CUSTOMER ACCOUNTS

Customer accounts comprise:

	31 December 2006	31 December 2005	31 December 2004
Time deposits	1,971,908	1,122,684	652,155
Repayable on demand	676,000	435,628	406,986
Total customer accounts	2,647,908	1,558,312	1,059,141

As at 31 December 2006, 2005 and 2004 accrued interest expenses included in customers accounts amounted to UAH 45,125 thousand, UAH 26,663 thousand and UAH 13,991 thousand, respectively.

As at 31 December 2006, 2005 and 2004 customer accounts amounted to UAH 36,514 thousand, UAH 251 thousand and nil, respectively, were held as security against guarantees issued.

As at 31 December 2006, 2005 and 2004 the customer accounts in the amounts of UAH 661,013 thousand (25%), UAH 298,912 thousand (19%) and UAH 308,267 thousand (29%), respectively, were due to 20 customers, which represents significant concentration.

	31 December 2006	31 December 2005	31 December 2004
Analysis by sector:			
Individuals	1,789,827	1,083,378	549,826
Other services	132,382	56,095	40,971
Insurance	122,272	66,462	112,745
Transport and communication	104,629	85,715	59,089
Agriculture and food processing	103,999	36,566	14,687
Trade	101,836	73,938	112,767
Manufacturing	101,494	26,228	16,891
Construction	55,461	44,074	53,994
Finance sector	37,044	4,024	6,577
Energy	36,499	35,724	26,699
Non-residents	19,824	19,200	47,780
Mining and metallurgy	1,490	10,888	4,963
Other	41,151	16,020	12,152
Total customer accounts	<u>2,647,908</u>	<u>1,558,312</u>	<u>1,059,141</u>

22. DEBT SECURITIES ISSUED

Debt securities issued comprise:

	Maturity date month/year	Annual coupon rate %	31 December 2006	31 December 2005	31 December 2004
Ukrainian Hryvnias-denominated bonds	14 June 2011	12.75%	88,311	-	-
Total debt securities issued			<u>88,311</u>	<u>-</u>	<u>-</u>

As at 31 December 2006, 2005 and 2004 accrued interest expense included in debt securities issued amounted to UAH 2,186 thousand, nil and nil, respectively.

The annual coupon rate at 12.75% is defined for the period from 20 July 2006 till 19 July 2007. The annual coupon rate for the next half a year would be declared by the Bank in 30 days period till 19 July 2007.

23. OTHER LIABILITIES

Other liabilities comprise:

	31 December 2006	31 December 2005	31 December 2004
Provision for unused vacation	4,210	-	-
Provision fro guarantees and other commitments	1,910	1,935	2,422
Current income tax liability	1,828	559	-
Accounts payable to Guarantee fund of individuals' deposits	1,653	978	623
Dividends payable to shareholders	948	1,010	1,010
Accounts payable for financial leasing	742	-	-
Taxes payable	358	96	52
Accounts payable for securities	-	-	432
Other	2,048	1,141	725
Total other liabilities	13,697	5,719	5,264

Movements in provision for guarantees and other commitments for the years ended 31 December 2006, 2005 and 2004 are disclosed in Note 5.

24. SUBORDINATED DEBT

	Currency	Maturity date	Interest rate	31 December 2006	31 December 2005	31 December 2004
		year	%			
Subordinated debt of "Investenergo" LLC	UAH	30 August 2011	12%	50,509	50,509	50,508
				50,509	50,509	50,508

As at 31 December 2006, 2005 and 2004 accrued interest expense included in subordinated debt amounted to UAH 509 thousand, UAH 509 thousand and UAH 508 thousand, respectively.

In the event of bankruptcy or liquidation of the Bank, repayment of this debt is subordinate to the repayments of the Bank's liabilities to all other creditors.

25. SHARE CAPITAL, SHARE PREMIUM AND EARNINGS PER SHARE

As at 31 December 2006, 2005 and 2004 authorized, issued and paid-in share capital consisted of 299,523 thousand ordinary shares and 477 thousand preferred shares, 169,523 thousand ordinary shares and 477 thousand preferred shares, and 119,523 thousand ordinary shares and 477 thousand preferred shares, respectively, each having a nominal value of UAH 1.

Dividend on preferred shares is subject to an approval at the Shareholders' meeting. Owners of preferred shares have primary right to assets distribution in case of the Bank's liquidation.

As at 31 December 2006, 2005 and 2004 share premium comprised UAH 2,816 thousand

In 2006, 2005 and 2004 the shareholders of the Bank increased its share capital by UAH 130,000 thousand, UAH 50,000 thousand and UAH 30,000 thousand, respectively.

The Bank's reserves distributable among shareholders are limited to the amount of its reserves as disclosed in its statutory accounts. Non-distributable reserves are represented by a reserve fund, which is created as required by the statutory regulations, in respect of general banking risks, including future losses and other unforeseen risks or contingencies. The reserve (which is the part of retained earnings) has been created in accordance with the Bank's statute that provide for the creation of a reserve for these purposes of not less than 5% of the Bank's net profit reported in statutory books.

Earnings per share attributable to equity:

	31 December 2006	31 December 2005	31 December 2004
Net profit, (UAH'000)	12,768	11,193	6,947
Weighted average number of ordinary shares			
For basic earnings per share	<u>187,350,231</u>	<u>143,831,817</u>	<u>96,504,674</u>
Earnings per share – basic, (UAH)	<u><u>0.07</u></u>	<u><u>0.08</u></u>	<u><u>0.07</u></u>

26. FINANCIAL COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the balance sheet.

Provision for losses on letters of credit and guarantees amounted to UAH 1,910 thousand, UAH 1,935 thousand and UAH 2,422 thousand as at 31 December 2006, 2005 and 2004, respectively.

The risk-weighted amount is obtained by applying credit conversion factor and counterparty risk weightings according to the principles employed by the Basle Committee on Banking Supervision.

As at 31 December 2006, 2005 and 2004, the nominal or contract amounts and risk-weighted amounts were:

	<u>31 December 2006</u>		<u>31 December 2005</u>		<u>31 December 2004</u>	
	Nominal amount	Risk weighted amount	Nominal amount	Risk weighted amount	Nominal amount	Risk weighted amount
Contingent liabilities and credit commitments						
Guarantees issued and similar commitments to customers	91,194	54,680	52,917	52,666	44,410	44,410
Commitments on loans and unused credit lines:	377,196	46,932	177,264	9,515	88,515	1,590
- non-cancellable with maturity of over 1 year	93,864	46,932	19,030	9,515	3,180	1,590
- non-cancellable with maturity less than 1 year and cancellable	277,899	-	153,045	-	83,310	-
Loan commitments to banks and unused credit lines	<u>5,433</u>	<u>-</u>	<u>5,189</u>	<u>-</u>	<u>2,025</u>	<u>-</u>
Total contingent liabilities and credit commitments	<u><u>468,390</u></u>	<u><u>101,612</u></u>	<u><u>230,181</u></u>	<u><u>62,181</u></u>	<u><u>132,925</u></u>	<u><u>46,000</u></u>

Operating lease commitments – Where the Bank is the lessee, the future minimum lease payments under non cancelable operating leases are as follows:

	31 December 2006	31 December 2005	31 December 2004
Not later than 1 year	11,891	6,694	5,892
Later than 1 year and not later than 5 years	16,865	8,082	7,487
Later than 5 years	1,489	1,481	1,192
Total operating lease commitments	30,245	16,257	14,571

Fiduciary activities – In the normal course of its business the Bank enters into agreements with limited right on decision making with clients for their assets management in accordance with specific criteria established by clients. The Bank may be liable for losses or actions aimed at appropriation of the clients’ funds until such funds or securities are not returned to the client due to gross negligence or willful misconduct by the Bank only. The maximum potential financial risk of the Bank at any given moment is equal to the volume of the clients’ funds plus/minus any unrealized income/loss on the client’s position. In the judgment of management, as at 31 December 2006, 2005 and 2004 the maximum potential financial risk on securities accepted by the Bank on behalf of its clients does not exceed UAH 12,534 thousand, UAH 1,922 thousand and UAH 1,888 thousand, respectively. These amounts represent customers’ funds under the management of the Bank, including assets under trusteeship as at 31 December 2006, 2005 and 2004 in the amount of UAH 753 thousand, UAH 211 thousand and UAH 177 thousand, respectively.

Legal proceedings – From time to time and in the normal course of business, claims against the Bank are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these financial statements.

Taxes – Due to the presence in Ukrainian commercial legislation, and tax legislation in particular, of provisions allowing more than one interpretation, and also due to the practice developed in a generally unstable environment by the tax authorities of making arbitrary judgment of business activities, if a particular treatment based on Management’s judgment of the Bank’s business activities was to be challenged by the tax authorities, the Bank may be assessed additional taxes, penalties and interest. Such uncertainty may relate to the valuation of financial instruments, loss and impairment provisions and the market level for the pricing of deals. The Bank believes that it has already made all tax payments, and therefore no allowance has been made in the financial statements. Tax records remain open to review by the tax authorities for three years.

Pensions and retirement plans – Employees receive pension benefits in accordance with the laws and regulations of the Ukraine. In March 2003 the Bank arranged a supplementary defined contribution pension scheme for employees with the “Administrator of pension funds “Ukraine-service” LLC. Pension contributions consist of in average 5% from the total payroll. The Bank operates a defined contribution retirement benefit plan for all employees. The assets of the plan are held separately from those of the Bank in funds under the control of trustees. Where employees leave the plan prior to full vesting of the contributions, the contributions payable by the Bank are reduced by the amount of forfeited contributions. The Bank paid UAH 2,945 thousand, UAH 1,491 thousand and UAH 1,153 thousand during 2006, 2005 and 2004, respectively, to this pension fund. Employees have the right to receive pension in the amount of such accumulated payments.

Operating environment – The Bank’s principal business activities are within Ukraine. Laws and regulations affecting the business environment in Ukraine are subject to rapid changes and the Bank’s assets and operations could be at risk due to negative changes in the political and business environment.

27. SUBSEQUENT EVENTS

As at 26 December 2006 the shareholders of the Bank announced a new emission of shares in the amount of UAH 100,000 thousand. As a result of the new issue, nominal value of the Bank's share capital will increase from UAH 300,000 thousand to UAH 400,000 thousand. The contribution to share capital was received by the Bank in 2007.

Subsequent to 31 December 2006 the Bank performed securitization of its mortgage portfolio in the amount of UAH 50,000 thousand on the Ukrainian market.

28. TRANSACTIONS WITH RELATED PARTIES

Related parties or transactions with related parties, as defined by IAS 24 "Related party disclosures", represent:

- (a) Parties that directly, or indirectly through one or more intermediaries: control, or are controlled by, or are under common control with, the Bank (this includes parents, subsidiaries and fellow subsidiaries); have an interest in the Bank that gives them significant influence over the Bank; and that have joint control over the Bank;
- (b) Associates – enterprises on which the Bank has significant influence and which is neither a subsidiary nor a joint venture of the investor;
- (c) Joint ventures in which the Bank is a venturer;
- (d) Members of key management personnel of the Bank or its parent;
- (e) Close members of the family of any individuals referred to in (a) or (d);
- (f) Parties that are entities controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) Post-employment benefit plans for the benefit of employees of the Bank, or of any entity that is a related party of the Bank.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Bank had the following transactions outstanding as at 31 December 2006, 2005 and 2004 with related parties:

	31 December 2006		31 December 2005		31 December 2004	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Loans to customers	15,300	2,061,413	12,391	1,229,723	3,309	940,095
- <i>shareholders</i>	10,100		-		103	
- <i>key management personnel of the Bank</i>	2,115		3,769		3,035	
- <i>other related parties</i>	3,085		8,622		171	
Allowance for impairment losses	(240)	(99,826)	(1,470)	(69,344)	-	(47,617)
- <i>shareholders</i>	-		-		-	
- <i>key management personnel of the Bank</i>	(98)		(107)		-	
- <i>other related parties</i>	(142)		(1,363)		-	
Customer accounts	21,111	2,647,908	18,070	1,558,312	77,401	1,059,141
- <i>shareholders</i>	4,191		6,328		65,775	
- <i>key management personnel of the Bank</i>	10,096		3,504		8,815	
- <i>other related parties</i>	6,824		8,238		2,811	
Investment available for sale	38,482	401,304	67,616	125,824	-	50,982
Guarantees given	-	91,194	25	52,917	-	44,410
Loan commitments	7,618	377,196	853	177,264	3,028	88,515
Subordinated debt						
- <i>shareholders</i>	50,509	50,509	50,509	50,509	50,508	50,508

Included in the income statement for the years ended 31 December 2006, 2005 and 2004 are the following amounts which arose due to transactions with related parties:

	31 December 2006		31 December 2005		31 December 2004	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Key management personnel compensation:	4,095	84,018	5,113	49,173	2,223	29,247
short-term employee benefits	1,150		3,622		2,115	
<i>Benefits paid under pension scheme</i>	2,945		1,491		108	

Included in the income statement for the years ended 31 December 2006, 2005, and 2004 are the following amounts which arose due to transactions with related parties:

	Year ended 31 December 2006		Year ended 31 December 2005		Year ended 31 December 2004	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income	29,089	389,728	5,228	257,605	2,877	150,510
- <i>shareholders</i>	1,008		-		2,530	
- <i>key management personnel of the Bank</i>	186		327		318	
- <i>other related parties</i>	27,895		4,901		29	
Interest expense	(1,229)	(241,322)	(2,886)	(162,117)	(3,359)	(101,494)
- <i>shareholders</i>	(65)		(828)		(2,504)	
- <i>key management personnel of the Bank</i>	(606)		(1,002)		(501)	
- <i>other related parties</i>	(558)		(1,056)		(354)	
Operating expenses	(2,892)	(174,273)	-	(113,922)	-	(85,765)
- <i>shareholders</i>	-		-		-	
- <i>key management personnel of the Bank</i>	-		-		-	
- <i>other related parties</i>	(2,892)		-		-	
Net realized gain on investments available for sale	-	2,843	1,960	16,953	-	26,830
Provision for impairment losses on loans to customers	1,230	(31,219)	(1,470)	(23,945)	-	(19,668)
- <i>shareholders</i>	-		-		-	
- <i>key management personnel of the Bank</i>	9		(107)		-	
- <i>other related parties</i>	1,221		(1,363)		-	

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value disclosures of financial instruments are made in accordance with the requirements of IAS 32 “Financial Instruments: Disclosure and Presentation” and IAS 39 “Financial Instruments: Recognition and Measurement”. Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm’s length transaction, other than in forced or liquidation sale. The estimates presented herein are not necessarily indicative of the amounts the Bank could realize in a market exchange from the sale of its full holdings of a particular instrument.

The fair value of financial assets and liabilities compared with the corresponding carrying amount in the balance sheet of the Bank is presented below:

	31 December 2006		31 December 2005		31 December 2004	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Cash and balances with the National Bank of Ukraine	294,172	294,172	288,341	288,341	130,612	130,612
Due from banks	1,253,225	1,253,225	565,701	565,701	180,868	180,868
Investments available for sale	401,304	401,304	125,824	125,824	50,982	50,982
Loans to customers	2,061,413	2,061,413	1,229,723	1,229,723	940,095	940,095
Due to banks	1,007,378	1,007,378	529,887	529,887	137,306	137,306
Other borrowed funds	105,781	105,781	-	-	-	-
Customer accounts	2,647,908	2,647,908	1,558,312	1,558,312	1,059,141	1,059,141
Loans from NBU	-	-	-	-	7,000	7,000
Subordinated debt	50,509	50,509	50,509	50,509	50,508	50,508
Debt securities issued	88,311	88,311	-	-	-	-

30. REGULATORY MATTERS

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of total (8%) and tier 1 capital (4%) to risk weighted assets.

The ratio was calculated according to the principles employed by the Basle Committee (Basle I) by applying the following risk estimates to the assets and off-balance sheet commitments net of allowances for impairment losses:

Estimate	Description of position
0%	Cash and balances with the National Bank of Ukraine
0%	State debt securities
20%	Due from banks for up to 1 year
100%	Loans to customers
100%	Guarantees issued
50%	Obligations and commitments on unused loans with the initial maturity of over 1 year
100%	Other assets

As at 31 December 2006 the Bank's total capital amount for Capital Adequacy purposes was UAH 538,568 thousand and the tier 1 capital amount was UAH 343,634 thousand with ratios of 18% and 12%, respectively.

As at 31 December 2005 the Bank's total capital amount for Capital Adequacy purposes was UAH 313,513 thousand and the tier 1 capital amount was UAH 200,681 thousand with ratios of 19% and 12%, respectively.

As of 31 December 2004 the Bank's total capital amount for Capital Adequacy purposes was UAH 189,613 thousand and the tier 1 capital amount was UAH 139,613 thousand with ratios of 17% and 13%, respectively.

As at 31 December 2006, 2005 and 2004 the Bank included in the computation of Total capital for Capital adequacy purposes the subordinated debt received, limited to 50% of Tier 1 capital. In the event of bankruptcy or liquidation of the Bank, repayment of this debt is subordinate to the repayments of the Bank's liabilities to all other creditors.

31. RISK MANAGEMENT POLICIES

Management of risk is fundamental to the Bank's banking business and is an essential element of the Bank's operations. The main risks inherent to the Bank's operations are those related to credit exposures, liquidity and market movements in interest rates and foreign exchange rates. A description of the Bank's risk management policies in relation to those risks follows.

The Bank manages the following risks:

Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due.

The Risk-Management Department controls these types of risks by means of maturity analysis, determining the Bank's strategy for the next financial period. Assets and Liabilities Committee approves the Bank's liquidity methodology. Current liquidity is managed by the Treasury, which trades on the currency market for current liquidity support and cash flow optimization.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the future cash flow of a financial instrument will fluctuate because of changes in market interest rates.

Assets and Liabilities Committee manages interest rate and market risks by matching the Bank's interest rate position, which provides the Bank with a positive interest margin. The Risk-Management Department conducts monitoring of the Bank's current financial performance, estimates the Bank's sensitivity to changes in interest rates and its influence on the Bank's profitability.

The majority of the Bank's loan contracts and other financial assets and liabilities that bear interest are either variable or contain clauses enabling the interest rate to be changed at the option of the lender. The Bank monitors its interest rate margin and consequently does not consider itself exposed to significant interest rate risk or consequential cash flow risk.

The following table presents an analysis of interest rate risk and thus the potential of the Bank for gain or loss. Effective interest rates are presented by categories of financial assets and liabilities to determine interest rate exposure and effectiveness of the interest rate policy used by the Bank.

	31 December 2006				31 December 2005			31 December 2004			
	UAH	USD	EUR	Other currencies	UAH	USD	EUR	UAH	USD	EUR	Other currencies
ASSETS											
Due from banks	11%	6%	4%	2%	6%	5%	2%	24%	5%	-	5%
Loans to customers	18%	14%	13%	-	19%	15%	15%	18%	15%	12%	-
Investments											
available for sale	21%	-	-	-	48%	-	-	15%	-	-	-
Available for sale securities (state treasury notes)	9%	-	-	-	11%	-	-	10.8%	-	-	-
LIABILITIES											
Due to banks	8%	6%	4%	-	8%	4%	16%	14%	9%	1%	-
Other borrowed funds	12%	8%	-	-	-	-	-	-	-	-	-
Loans from the National Bank of Ukraine	-	-	-	-	-	-	-	7%	-	-	-
Customer accounts	11%	8%	9%	4%	12%	10%	9%	11%	10%	9%	-
Debt securities issued	13%	-	-	-	-	-	-	-	-	-	-
Subordinated debt	12%	-	-	-	12%	-	-	12%	-	-	-

The analysis of interest rate and liquidity risk on is presented in the following table:

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2006 Total
ASSETS							
Due from banks	637,541	264,922	114,028	-	-	-	1,016,491
Loans to customers	255,761	435,854	705,630	444,021	220,147	-	2,061,413
Investments available for sale	11,123	20,107	15,630	331,156	-	-	378,016
Total interest bearing assets	904,425	720,883	835,288	775,177	220,147	-	3,455,920
Cash and balances with the National Bank of Ukraine	238,080	-	-	-	-	56,092	294,172
Due from banks	236,734	-	-	-	-	-	236,734
Investments available for sale	-	-	-	-	-	23,288	23,288
Property, plant and equipment and intangible assets	-	-	-	-	-	409,197	409,197
Investment property	-	-	-	-	-	9,241	9,241
Other assets	11,005	1,860	27,386	761	-	3,362	44,374
TOTAL ASSETS	1,390,244	722,743	862,674	775,938	220,147	501,180	4,472,926
LIABILITIES							
Due to banks	454,279	167,755	27,745	-	30	-	649,809
Other borrowed funds	387	-	105,394	-	-	-	105,781
Customer accounts	258,527	383,023	1,089,885	240,473	-	-	1,971,908
Debt securities issued	2,186	86,125	-	-	-	-	88,311
Subordinated debt	509	-	-	50,000	-	-	50,509
Total interest bearing liabilities	715,888	636,903	1,223,024	290,473	30	-	2,866,318
Due to banks	357,569	-	-	-	-	-	357,569
Customer accounts	676,000	-	-	-	-	-	676,000
Deferred income tax liabilities	-	-	-	-	-	70,272	70,272
Other liabilities	6,405	872	1,974	779	-	3,667	13,697
TOTAL LIABILITIES	1,755,862	637,775	1,224,998	291,252	30	73,939	3,983,856
Liquidity gap	(365,618)	84,968	(362,324)	484,686	220,117		
Interest sensitivity gap	188,537	83,980	(387,736)	484,704	220,117		
Cumulative interest sensitivity gap	188,537	272,517	(115,219)	369,485	589,602		
Cumulative interest sensitivity gap as a percentage of total assets	4%	6%	(3%)	8%	13%		

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2005 Total
ASSETS							
Due from banks	421,244	93,633	39,300	-	-	-	554,177
Loans to customers	368,634	303,528	233,919	298,502	25,140	-	1,229,723
Investments available for sale	-	-	-	20,943	-	-	20,943
Total interest bearing assets	789,878	397,161	273,219	319,445	25,140	-	1,804,843
Cash and balances with the National Bank of Ukraine	184,300	-	-	-	-	104,041	288,341
Due from banks	3,540	445	7,539	-	-	-	11,524
Investments available for sale	33,497	-	8,331	19,480	-	43,573	104,881
Property, plant and equipment and intangible assets	-	-	-	-	-	219,743	219,743
Investment property	-	-	-	-	-	7,093	7,093
Other assets	1,295	10	4,230	140	17	1,507	7,199
TOTAL ASSETS	1,012,510	397,616	293,319	339,065	25,157	375,957	2,443,624
LIABILITIES							
Due to banks	381,792	88,578	58,330	-	-	-	528,700
Customer accounts	112,777	187,644	695,358	126,905	-	-	1,122,684
Subordinated debt	509	-	-	-	50,000	-	50,509
Total interest bearing liabilities	495,078	276,222	753,688	126,905	50,000	-	1,701,893
Due to banks	1,187	-	-	-	-	-	1,187
Customer accounts	435,628	-	-	-	-	-	435,628
Deferred income tax liabilities	-	-	-	-	-	35,182	35,182
Other liabilities	3	1,633	3,073	1,010	-	-	5,719
TOTAL LIABILITIES	931,896	277,855	756,761	127,915	50,000	35,182	2,179,609
Liquidity gap	80,614	119,761	(463,442)	211,150	(24,843)		
Interest sensitivity gap	294,800	120,939	(480,469)	192,540	(24,860)		
Cumulative interest sensitivity gap	294,800	415,739	(64,730)	127,810	102,950		
Cumulative interest sensitivity gap as a percentage of total assets	12%	17%	(3%)	5%	4%		

	Up to 1 month	1 to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2004 Total
ASSETS							
Interest bearing assets:							
Due from banks	21,817	24,778	64,419	-	-	-	111,014
Investments available for sale	-	-	-	19,804	-	-	19,804
Loans to customers	41,216	178,026	493,829	221,498	5,526	-	940,095
Total interest bearing assets	63,033	202,804	558,248	241,302	5,526	-	1,070,913
Cash and balances with the National Bank of Ukraine	93,420	-	-	-	-	37,192	130,612
Due from banks	69,854	-	-	-	-	-	69,854
Investments available for sale	-	-	-	-	-	31,178	31,178
Property, plant and equipment and intangible assets	-	-	-	-	-	95,572	95,572
Other assets	3,591	1,743	3,129	751	4	-	9,218
TOTAL ASSETS	229,898	204,547	561,377	242,053	5,530	163,942	1,407,347
LIABILITIES							
Interest bearing liabilities:							
Due to banks	73,035	16,690	12,574	-	-	-	102,299
Loans from the National Bank of Ukraine	467	933	4,200	1,400	-	-	7,000
Customer accounts	45,473	173,804	386,699	46,174	5	-	652,155
Subordinated debt	508	-	-	-	50,000	-	50,508
Total interest bearing liabilities	119,483	191,427	403,473	47,574	50,005	-	811,962
Due to banks	35,007	-	-	-	-	-	35,007
Customer accounts	406,986	-	-	-	-	-	406,986
Deferred tax liability	-	-	-	-	-	8,013	8,013
Other liabilities	1,832	-	-	1,010	-	2,422	5,264
TOTAL LIABILITIES	563,308	191,427	403,473	48,584	50,005	10,435	1,267,232
Liquidity gap	(333,410)	13,120	157,904	193,469	(44,475)		
Interest sensitivity gap	(56,450)	11,377	154,775	193,728	(44,479)		
Cumulative interest sensitivity gap	(56,449)	(45,072)	109,703	303,431	258,952		
Cumulative interest sensitivity gap as a percentage of total assets	(4%)	(3%)	8%	22%	18%		

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Risk-Management Department constantly evaluates the risk of losses from significant currency rates fluctuations. The Bank has set limits for open currency position in order to minimize the currency risk. The Risk-Management Department performs monitoring of the Bank's open currency position on daily basis with the aim to meet the requirements of the National Bank of Ukraine. The Treasury Department trades on the interbank currency markets.

The Bank's exposure to foreign currency exchange rate risk is presented in the tables below:

	UAH	USD USD 1 = UAH 5.05	EUR EUR 1 = UAH 6.65085	Other currencies	31 December 2006 Total
ASSETS					
Cash and balances with the National Bank of Ukraine	204,398	74,018	15,188	568	294,172
Due from banks	429,755	601,310	219,590	2,570	1,253,225
Loans to customers	1,321,959	658,822	80,554	78	2,061,413
Investments available for sale	401,304	-	-	-	401,304
Property, plant and equipment and intangible assets	409,197	-	-	-	409,197
Investment property	9,241	-	-	-	9,241
Other assets	35,458	1,858	118	6,940	44,374
TOTAL ASSETS	2,811,312	1,336,008	315,450	10,156	4,472,926
LIABILITIES					
Due to banks	521,375	333,516	152,485	2	1,007,378
Other borrowed fund	2,000	103,781	-	-	105,781
Customer accounts	1,634,355	870,847	136,619	6,087	2,647,908
Debt securities issued	88,311	-	-	-	88,311
Deferred income tax liabilities	70,272	-	-	-	70,272
Other liabilities	12,141	1,039	386	131	13,697
Subordinated debt	50,509	-	-	-	50,509
TOTAL LIABILITIES	2,378,963	1,309,183	289,490	6,220	3,983,856
NET POSITION	432,349	26,825	25,960	3,936	

	UAH	USD USD 1 = UAH 5.05	EUR EUR 1 = UAH 5.9716	Other currency	31 December 2005 Total
ASSETS					
Cash and balances with the National Bank of Ukraine	263,479	19,647	4,962	253	288,341
Due from banks	241,726	278,344	44,669	962	565,701
Loans to customers	993,407	190,681	45,635	-	1,229,723
Investments available for sale	125,779	-	-	45	125,824
Property, plant and equipment and intangible assets	219,743	-	-	-	219,743
Investment property	7,093	-	-	-	7,093
Other assets	4,900	1,110	44	1,145	7,199
TOTAL ASSETS	1,856,127	489,782	95,310	2,405	2,443,624
LIABILITIES					
Due to banks	502,432	8,949	18,506	-	529,887
Customer accounts	990,593	491,676	75,472	571	1,558,312
Deferred income tax liabilities	35,182	-	-	-	35,182
Other liabilities	5,719	-	-	-	5,719
Subordinated debt	50,509	-	-	-	50,509
TOTAL LIABILITIES	1,584,435	500,625	93,978	571	2,179,609
NET POSITION	271,692	(10,843)	1,332	1,834	
ASSETS					
Cash and balances with the National Bank of Ukraine	114,386	11,112	4,866	248	130,612
Loans and advances to banks	113,516	64,527	1,651	1,174	180,868
Investments available for sale	50,920	-	-	62	50,982
Loans and advances to customers	650,649	245,866	43,580	-	940,095
Property, plant and equipment and intangible assets	95,572	-	-	-	95,572
Other assets	8,496	-	-	722	9,218
TOTAL ASSETS	1,033,539	321,505	50,097	2,206	1,407,347
LIABILITIES					
Due to banks	82,861	29,797	24,648	-	137,306
Loans from the National Bank of Ukraine	7,000	-	-	-	7,000
Customer accounts	765,088	260,728	32,201	1,124	1,059,141
Deferred tax liability	8,013	-	-	-	8,013
Other liabilities	5,264	-	-	-	5,264
Subordinated debt	50,508	-	-	-	50,508
TOTAL LIABILITIES	918,734	290,525	56,849	1,124	1,267,232
OPEN POSITION	114,805	30,980	(6,752)	1,082	

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Bank is exposed to price risks of its products which are subject to general and specific market fluctuations.

The Bank manages price risk through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing and maintaining appropriate stop-loss limits and margin and collateral requirements. With respect to undrawn loan commitments the Bank is potentially exposed to a loss of an amount equal to the total amount of such commitments. However, the likely amount of a loss is less than that, since most commitments are contingent upon certain conditions set out in the loan agreements.

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Bank manages fair value interest rate risk through periodic estimation of potential losses that could arise from adverse changes in market conditions. The Risk-Management Department conducts monitoring of the Bank's current financial performance, estimates the Bank's sensitivity to changes in fair value interest rates and its influence on the Bank's profitability.

Credit risk

The Bank is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Risk management is performed by the Credit Committee, the Risk-Management Department and the Customer Policy Department of the Bank. Based upon information prepared by the Risk-Management Department and the Customer Policy Department, the Credit Committee approves borrower's limits, makes decisions on disbursing, and considers the possibility of loans prolongation. The Risk-Management Department performs the analysis of loan portfolio, evaluates loans in order to provide for loan losses on a monthly basis and prepares all necessary documentation for approval of all above mentioned decisions by the Credit Committee of the Bank.

Where appropriate, and in the case of most loans, the Bank obtains collateral and corporate and personal guaranties, but some portion is personal lending, where no such facilities can be obtained. Such risks are monitored on a continuous basis and are subject to annual or more frequent reviews.

Commitments to extend credit represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk on off-balance sheet financial instruments is defined as a probability of losses due to inability of the counterparty to comply with the contractual terms and conditions. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank applies the same credit policy to the contingent liabilities as it does to the balance sheet financial instruments, i.e. the one based on the procedures for approving the grant of loans, using limits to mitigate the risk, and current monitoring. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Geographical concentration

The Risk-Management Department exercises control over the risk in the legislation and regulatory arena and assesses its influence on the Bank's activity. This approach allows the Bank to minimize potential losses from the investment climate fluctuations in Ukraine. The Bank's Board sets up country limits, which mainly applies to banks of the Commonwealth of Independent States and Baltic countries.

The geographical concentration of assets and liabilities is set out below:

	Ukraine	OECD countries	Non-OECD countries	31 December 2006 Total
ASSETS				
Cash and balances with the National Bank of Ukraine	294,172	-	-	294,172
Due from banks	1,221,456	29,246	2,523	1,253,225
Loans to customers	2,061,413	-	-	2,061,413
Investments available for sale	401,304	-	-	401,304
Property, plant and equipment and intangible assets	409,197	-	-	409,197
Investment property	9,241	-	-	9,241
Other assets	44,374	-	-	44,374
TOTAL ASSETS	4,441,157	29,246	2,523	4,472,926
LIABILITIES				
Due to banks	1,007,378	-	-	1,007,378
Other borrowed funds	2,000	103,781	-	105,781
Customer accounts	2,647,908	-	-	2,647,908
Debt securities issued	88,311	-	-	88,311
Deferred income tax liabilities	70,272	-	-	70,272
Other liabilities	13,697	-	-	13,697
Subordinated debt	50,509	-	-	50,509
TOTAL LIABILITIES	3,880,075	103,781	-	3,983,856
NET POSITION	561,082	(74,535)	2,523	

	Ukraine	OECD countries	Non-OECD countries	31 December 2005 Total
ASSETS				
Cash and balances with the National Bank of Ukraine	288,341	-	-	288,341
Due from banks	538,766	26,605	330	565,701
Loans to customers	1,229,723	-	-	1,229,723
Investments available for sale	125,779	-	45	125,824
Property, plant and equipment and intangible assets	219,743	-	-	219,743
Investment property	7,093	-	-	7,093
Other assets	7,199	-	-	7,199
TOTAL ASSETS	2,416,644	26,605	375	2,443,624
LIABILITIES				
Due to banks	528,870	-	1,017	529,887
Customer accounts	1,558,312	-	-	1,558,312
Deferred income tax liabilities	35,182	-	-	35,182
Other liabilities	5,719	-	-	5,719
Subordinated debt	50,509	-	-	50,509
TOTAL LIABILITIES	2,178,592	-	1,017	2,179,609
NET POSITION	238,052	26,605	(642)	

	Ukraine	OECD countries	Non-OECD countries	31 December 2004 Total
ASSETS				
Cash and balances with the National Bank of Ukraine	130,612	-	-	130,612
Due from banks	164,659	15,912	297	180,868
Investment available for sale	50,920	-	62	50,982
Loans and advances to customers	940,095	-	-	940,095
Property, plant and equipment and intangible assets	95,572	-	-	95,572
Other assets	9,218	-	-	9,218
TOTAL ASSETS	1,391,076	15,912	359	1,407,347
LIABILITIES				
Due to banks	137,301	-	5	137,306
Loans from the National Bank of Ukraine	7,000	-	-	7,000
Customer accounts	1,059,141	-	-	1,059,141
Deferred tax liability	8,013	-	-	8,013
Other liabilities	5,264	-	-	5,264
Subordinated debt	50,508	-	-	50,508
TOTAL LIABILITIES	1,267,227	-	5	1,267,232
NET POSITION	123,849	15,912	354	