

Joint Stock Company
“The State Export-Import Bank of Ukraine”
Unaudited Interim Condensed Consolidated Financial
Statements

For the six month period ended 30 June 2006

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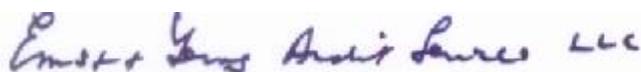
REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Joint Stock Company "The State Export-Import Bank of Ukraine":

We have reviewed the accompanying interim condensed consolidated balance sheet of Joint Stock Company "The State Export-Import Bank of Ukraine" (the "Bank") and its subsidiary as at 30 June 2006, and the related interim condensed consolidated statements of income, cash flows and changes in equity for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

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

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.



21 August 2006

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

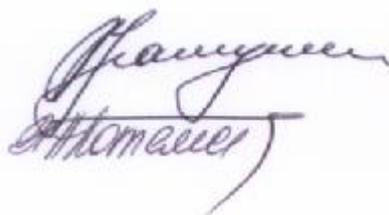
As at 30 June 2006

(Thousands of Ukrainian hryvnia)

	Notes	30 June 2006 (unaudited)	31 December 2005 (audited)
Assets			
Cash and due from the National Bank of Ukraine		441,826	837,383
Amounts due from credit institutions	4	1,747,701	1,481,191
Loans to customers	5	9,553,127	6,987,133
Investments in securities	6		
- designated at fair value through profit and loss		467,552	230,738
- available for sale		1,260	1,252
- held to maturity		172,828	238,691
Tax assets		3	9
Property, equipment and computer software		372,157	356,525
Other assets		69,216	54,978
Total assets		12,825,670	10,187,900
Liabilities			
Amounts due to the National Bank of Ukraine		15,071	44,939
Amounts due to credit institutions	7	2,370,379	1,435,952
Amounts due to customers	8	5,975,072	4,761,072
Eurobonds issued	9	2,552,500	2,552,026
Bonds issued	10	200,418	200,470
Subordinated debt	11	483,708	205,194
Tax liabilities		53,113	14,835
Other liabilities		23,056	14,913
Provisions		14,936	12,097
Total liabilities		11,688,253	9,241,498
Equity			
Share capital	12	1,631,649	1,457,232
Accumulated deficit		(494,232)	(510,830)
Total equity		1,137,417	946,402
Total liabilities and equity		12,825,670	10,187,900

Signed and authorised for release on behalf of the Board of the Bank

Victor Kapustin



Chairman of the Board

Nataliya Potemska

Chief Accountant

21 August 2006

The accompanying notes are an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six-month period ended 30 June 2006

(Thousands of Ukrainian hryvnia)

	<i>For the six-month period ended</i>	
	<i>30 June</i>	
	<i>2006</i>	<i>2005</i>
	<i>(unaudited)</i>	
Interest income	649,691	318,243
Interest expense	(342,030)	(162,849)
Net interest income	307,661	155,394
Reversal/(charge) of impairment of interest earning assets	17,482	(52,429)
Net interest income after impairment of interest earning assets	325,143	102,965
Fee and commission income	107,484	80,514
Fee and commission expense	(9,806)	(7,636)
Fees and commissions, net	97,678	72,878
Gains less losses from foreign currencies:		
- dealing, net	37,126	27,107
- exchange differences, net	3,815	(2,894)
Re-measurement of financial instruments	465	(290)
Dealing with securities	272	166
Other operating income	1,852	2,145
Non-interest income, net	43,530	26,234
Salaries and benefits	(140,953)	(92,071)
Depreciation and amortisation	(16,604)	(17,055)
Other operating and administrative expenses	(40,148)	(33,058)
Impairment of other assets and provisions	(2,721)	(688)
Non-interest expense	(200,426)	(142,872)
Profit before income tax expense	265,925	59,205
Income tax expense	(74,910)	(17,577)
Profit for the period	191,015	41,628

The accompanying notes are an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2006

(Thousands of Ukrainian hryvnia)

	<i>Share capital</i>	<i>Accumulated deficit</i>	<i>Total</i>
As at 31 December 2004	1,081,232	(619,709)	461,523
Profit for the period		41,628	41,628
As at 30 June 2005 (unaudited)	1,081,232	(578,081)	503,151
Capitalised profits	76,000	(76,000)	-
Paid in share capital	300,000	-	300,000
Profit for the period		143,251	143,251
As at 31 December 2005(audited)	1,457,232	(510,830)	946,402
Capitalised profits	174,417	(174,417)	-
Profit for the period	-	191,015	191,015
As at 30 June 2006 (unaudited)	1,631,649	(494,232)	1,137,417

The accompanying notes are an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2006

(Thousands of Ukrainian hryvnia)

	<i>For the six-month period ended</i>	
	<i>2006</i>	<i>2005</i>
	<i>(unaudited)</i>	
Cash flows from operating activities		
Interest, fees and commissions received	810,737	373,776
Interest, fees and commissions paid	(310,648)	(128,252)
Gains less losses from dealing in foreign currencies and securities	37,398	27,237
Other operating income received	1,852	2,145
Salaries and benefits	(132,200)	(89,401)
Other operating and administrative expenses paid	(40,971)	(27,122)
Cash flow from operating activities before changes in operating assets and liabilities	366,168	158,383
<i>(Increase)/ decrease in operating assets:</i>		
Amount due from credit institutions	(45,560)	(18,423)
Loans to customers	(2,573,301)	(1,065,586)
Other assets	(15,168)	(5,859)
<i>Increase/ (decrease) in operating liabilities:</i>		
Amounts due to the National Bank of Ukraine	(29,868)	(214,995)
Amounts due to credit institutions	(168,167)	95,701
Amounts due to customers	1,177,705	976,340
Other liabilities	(383)	15,684
Net cash flows used in operating activities before income tax	(1,288,574)	(58,755)
Income tax paid	(36,626)	(6,539)
Net cash flows used in operating activities	(1,325,200)	(65,294)
Cash flows from financing activities		
Proceeds from Eurobonds issued	-	521,771
Proceeds from subordinated debt attracted	467,893	213,518
Redemption of subordinated debt	(202,000)	-
Amounts due to credit institutions	1,075,006	42,016
Net cash inflow from financing activities	1,340,899	777,305
Cash flows from investing activities		
Investments in securities	(163,558)	(47,636)
Purchases of property, equipment and intangible assets	(32,570)	(16,606)
Proceeds from sale of property and equipment	631	454
Net cash used in investing activities	(195,497)	(63,788)
Effect of exchange rate changes on cash and cash equivalents	10,257	(60,220)
Net change in cash and cash equivalents	(169,541)	588,003
Cash and cash equivalents at the beginning of the period	2,092,928	804,868
Cash and cash equivalents at the end of the period (note 3)	1,923,387	1,392,871

The accompanying notes are an integral part of these interim condensed consolidated financial statements

(in thousands of Ukrainian hryvnia unless otherwise indicated)

1. Principal activities

The State Export-Import Bank of Ukraine (the “Bank”) was founded in 1992. The Bank was registered at the National Bank of Ukraine (the “NBU”) on 23 January 1992 and on 18 September 2000 was re-registered as an open joint stock company. Currently the Bank operates under general banking licence #2 renewed by the NBU on 25 December 2001, which provides the Bank with the right to conduct banking operations, including currency operations.

As at 30 June 2006 and 31 December 2005, 100% of Bank’s shares were owned by the State of Ukraine.

The Bank’s Head office is in Kyiv at 127, Gorky St. It had 3,291 employees as at 30 June 2006 (31 December 2005: 3,200 employees).

Historically, the main focus of the Bank’s operations was servicing various export-import transactions. Currently, the Bank’s customer base is diversified and includes some large industrial and State owned enterprises. The Bank accepts deposits from the public and makes loans, transfers payments in Ukraine and abroad, exchanges currencies, invests funds and provides cash and settlements, and other banking services to its customers.

One of the activities of the Bank is to facilitate as a agent, on behalf of the Ukrainian Government, the administration of loan agreements entered into by the Ukrainian Government and other foreign governments. The Bank acts as an agent on behalf of the Ukrainian Government with respect to loans from foreign financial institutions based on the aforementioned agreements. The loan proceeds are advanced to various enterprises within Ukraine on the basis of separate loan agreements between the Bank and Ukrainian enterprises.

2. Basis of preparation

General

These interim condensed consolidated financial statements for the six-month period ended 30 June 2006 have been prepared in accordance with IAS 34 “Interim Financial Reporting”.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Bank’s annual consolidated financial statements for the year ended 31 December 2005.

The Bank and its subsidiary are required to maintain their books of account in Ukrainian hryvnia and prepare statements for regulatory purposes in accordance with the “Regulations on the Organisation of Accounting and Reporting for Ukrainian Banking Institutions” (“UAR”) issued by the National Bank of Ukraine and in accordance with Ukrainian Accounting Standards. These consolidated financial statements are based on the books and records of the Bank and its subsidiary as adjusted and reclassified in order to comply with IFRS.

These interim condensed consolidated financial statements are prepared under the historical cost convention except for the measurement of available for sale investments and investments designated at fair value through profit or loss at fair value.

These interim condensed consolidated financial statements are presented in thousands of Ukrainian hryvnia (“UAH”) unless otherwise indicated.

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Bank’s annual financial statements for the year ended 31 December 2005, except for adoption of the following amendments mandatory for annual periods beginning on or after 1 January 2006:

- IAS 39 “Financial Instruments: Recognition and Measurement” – *Amended for financial guarantee contracts* – which amended the scope of IAS 39 to include financial guarantee contracts issued. The amendment addresses the treatment of financial guarantee contracts by the issuer. Under IAS 39 as amended financial guarantee contracts are recognised initially at fair value and generally re-measured at the higher of the amount determined in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent

(in thousands of Ukrainian hryvnia unless otherwise indicated)

Assets” and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 “Revenue”.

- IAS 39 – *Amended for hedges of forecast intragroup transactions* – which amended IAS 39 to permit the foreign currency risk of highly probable intragroup forecast transaction to qualify as the hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the financial statements.
- IAS 39 – *Amended for the fair value option* – which restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through profit and loss.

The adoption of these amendments did not affect the Bank’s results of operations or financial position.

Consolidated subsidiaries

These interim condensed consolidated financial statements include the accounts of the Bank and its 100% subsidiary – “Ukreximleasing”, which operates in Ukraine in the trading and leasing business.

Segment reporting

The Bank doesn’t have separately identifiable businesses in different geographic segments and therefore no segment disclosure is required.

Corresponding figures

In 2006, the Bank revised its accounting treatment for administrative fees as such amounts became more significant. Consequently, the prior period’s consolidated financial statements have been reclassified to conform to the current year’s presentation.

	30 June 2005 (unaudited) as previously reported	30 June 2005 (unaudited) as reclassified	Differences
Interest income	314,934	318,243	3,309
Fee and commission income	83,823	80,514	(3,309)

3. Cash and cash equivalents

For the purpose of the interim condensed consolidated cash flow statement for the six-month period ended 30 June 2006, cash and cash equivalents are comprised of the following:

	30 June 2006 (unaudited)	30 June 2005 (unaudited)
Cash on hand	136,233	116,581
Current account with the National Bank of Ukraine	305,593	243,069
Current accounts with credit institutions	769,560	371,531
Overnight deposits due from credit institutions	712,001	661,690
	1,923,387	1,392,871

(in thousands of Ukrainian hryvnia unless otherwise indicated)

4. Amounts due from credit institutions

Amounts due from credit institutions consisted of the following as at 30 June 2006 and 31 December 2005:

	30 June 2006 (unaudited)	31 December 2005 (audited)
Current accounts		
OECD banks	742,703	245,737
CIS and other foreign banks	26,083	136,055
Ukrainian banks	774	4,880
	769,560	386,672
Loans and deposits		
OECD banks	714,914	871,701
Ukrainian banks	246,572	199,788
CIS and other foreign banks	15,301	21,931
	976,787	1,093,420
Other amounts due from credit institutions	1,354	1,099
Amounts due from credit institutions	1,747,701	1,481,191

5. Loans to customers

Loans and advances to customers consisted of the following as at 30 June 2006 and 31 December 2005:

	30 June 2006 (unaudited)	31 December 2005 (audited)
Loans to customers	9,610,787	7,169,194
Overdrafts	372,153	262,708
Promissory notes	7,501	14,875
	9,990,441	7,446,777
Less – allowance for impairment	(437,314)	(459,644)
Loans to customers	9,553,127	6,987,133

6. Investments in securities

Investment securities designated at fair value through profit or loss as at 30 June 2006 and 31 December 2005 comprise the following:

	30 June 2006 (unaudited)	31 December 2005 (audited)
Corporate bonds	381,333	140,512
Ukrainian State bonds	86,219	90,226
Investment securities designated at fair value	467,552	230,738

(in thousands of Ukrainian hryvnia unless otherwise indicated)

Available-for-sale investment securities comprise:

	30 June 2006 (unaudited)	31 December 2005 (audited)
Corporate shares	2,118	2,127
Discount promissory notes	655	653
	2,773	2,780
Less – allowance for impairment	(1,513)	(1,528)
Available-for-sale investments	1,260	1,252

Held-to-maturity investment securities comprise the following:

	30 June 2006 (unaudited)		31 December 2005 (audited)	
	Nominal value	Carrying value	Nominal value	Carrying value
Ukrainian State bonds	105,416	106,359	107,900	108,847
NBU deposit certificates	-	-	25,000	25,297
Corporate bonds	65,173	66,469	103,008	104,547
Held-to-maturity investments		172,828		238,691

7. Amounts due to credit institutions

As at 30 June 2006 and 31 December 2005, amounts due to credit institutions comprise:

	30 June 2006 (unaudited)	31 December 2005 (audited)
Current accounts		
Ukrainian banks	95,693	58,948
CIS and other foreign banks	519	1,944
	96,212	60,892
Loans and deposits		
International financial organisations	363,735	654,056
OECD banks	1,470,238	430,566
CIS and other foreign banks	258,708	253,728
Ukrainian banks	181,386	36,553
	2,274,067	1,374,903
Other amounts due to credit institutions	100	157
Amounts due to credit institutions	2,370,379	1,435,952

(in thousands of Ukrainian hryvnia unless otherwise indicated)

8. Amounts due to customers

Amounts due to customers comprise:

	30 June 2006 (unaudited)	31 December 2005 (audited)
Current accounts		
- Budget funds	168,073	145,357
- Companies	2,235,893	1,694,127
- Individuals	467,898	355,128
	2,871,864	2,194,612
Time deposits		
- Budget funds	3,520	-
- Companies	1,402,329	1,196,237
- Individuals	1,697,359	1,370,223
	3,103,208	2,566,460
Amounts due to customers	5,975,072	4,761,072
Held as security against letters of credit	560,993	315,827
Held as security against guarantees, avals and undrawn loan commitments	60,574	65,938

9. Eurobonds issued

In September 2004, the Bank obtained a loan amounting to USD 150,000 thousand (UAH 757,500 thousand), from Dresdner Bank AG (carrying value of UAH 756,027 thousand as at 30 June 2006). This loan was funded by 7.75% loan participation notes (“Eurobonds”) issued by but without recourse to, Dresdner Bank AG, for the sole purpose of funding the loan to the Bank. The loan matures in September 2009. The interest rate on the loan is 7.75% p.a. Interest payments are made semi-annually in arrears on 23 March and 23 September of each year, commencing 23 March 2005.

In February 2005, the Bank obtained a further loan amounting to USD 100,000 thousand (UAH 505,000 thousand) from Dresdner Bank AG (carrying value of UAH 522,328 thousand as at 30 June 2006). This loan was funded by 7.75% loan participation notes (“Eurobonds”) which were consolidated and form a single series with the notes issued in September 2004.

In October 2005, the Bank obtained a loan amounting to USD 250,000 thousand (UAH 1,262,500 thousand) from Credit Suisse First Boston International (carrying value of UAH 1,274,145 thousand as at 30 June 2006). This loan was funded by 6.80% loan participation notes (“Eurobonds”) issued by but without recourse to, Credit Suisse First Boston International, for the sole purpose of funding this loan to the Bank. The loan matures in October 2012 and the interest rate is 6.80% p.a. Interest payments are made semi-annually in arrears on 4 April and 4 October of each year, commencing on 4 April 2006.

10. Bonds issued

In December 2005, the Bank issued local bonds with nominal value of UAH 200,000 thousand (carrying value of UAH 200,418 thousand as at 30 June 2006). The bonds are denominated in hryvnia, bear interest at 9.55% p.a. and mature in December 2008. Interest payments are made quarterly.

(in thousands of Ukrainian hryvnia unless otherwise indicated)

11. Subordinated debt

In February 2006, the Bank obtained a loan amounting to USD 95,000 thousand (UAH 479,750 thousand) from Credit Suisse International (carrying value of UAH 483,708 thousand as at 30 June 2006). This loan was funded by 8.40% loan participation notes issued by but without recourse to Credit Suisse International, for the sole purpose of funding a subordinated loan to the Bank. The loan matures in February 2016 with an interest step-up in 2011. The interest rate on this loan is 8.40% p.a. Interest payments are made semi-annually in arrears on 9 February and 9 August of each year, commencing on 9 August 2006.

In addition, in February 2006, the Bank has repaid before original maturity a subordinated loan obtained in February 2005 from Dresdner Bank AG.

12. Equity

As at 30 June 2006, the Bank’s authorised issued share capital comprised 918,417 (31 December 2005: 744,000) ordinary shares, with a nominal value of UAH 1,000 per share. In accordance with the Decision of the Cabinet of Ministers of Ukraine dated 6 June 2006, the Bank’s share capital was increased by UAH 174,417 thousand through capitalisation of profits. All shares have equal voting rights. As at 30 June 2006, 744,000 issued shares were fully paid and registered and 174,417 shares were fully paid but not registered (31 December 2005: 444,000 shares were fully paid and registered and 300,000 shares were fully paid but not registered).

These consolidated financial statements reflect the amount of paid-in capital stated at cost, which is restated using the consumer price index for the contributions made before 31 December 2000. The share capital of the Bank was contributed in Ukrainian hryvnia and US dollars and the Government, as the shareholder, is entitled to dividends and any capital distributions in Ukrainian hryvnia.

13. Financial commitments and contingencies

Financial commitments and contingencies as at 30 June 2006 and 31 December 2005 comprise:

	30 June 2006 (unaudited)	31 December 2005 (audited)
Letters of credit	1,105,225	818,137
Guarantees	256,874	187,630
Avals on promissory notes	70,721	71,405
Undrawn loan commitments	276,133	200,610
	1,708,953	1,277,782
Less – Cash held as security against letters of credit, avals, guarantees and undrawn loan commitments	(621,567)	(381,765)
Financial commitments and contingencies	1,087,386	896,017

As at 30 June 2006, the Bank has recognised a provision of UAH 14,936 thousand (31 December 2005: UAH 12,097 thousand) against unsecured commitments.

(in thousands of Ukrainian hryvnia unless otherwise indicated)

14. Net interest income

Net interest income comprises:

	30 June 2006 (unaudited)	30 June 2005 (unaudited)
Interest income		
Loans to customers	575,424	275,433
Due from credit institutions	39,122	15,000
Securities	34,923	27,798
Due from the NBU	222	12
	649,691	318,243
Interest expenses		
Due to customers	(173,218)	(99,204)
Eurobonds issued	(93,319)	(38,661)
Due to credit institutions	(53,293)	(13,134)
Subordinated debt	(21,179)	(7,654)
Due to the NBU	(1,021)	(4,196)
	(342,030)	(162,849)
Net interest income	307,661	155,394

15. Related party transactions

In accordance with IAS 24 “Related Party Disclosures”, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The outstanding balances of related party transactions at 30 June 2006 and 31 December 2005, and related expense and income for the six-month periods ended 30 June 2006 and 2005 are as follows:

	30 June 2006 (unaudited)	31 December 2005 (audited)
	State controlled entities	State controlled entities
Correspondent account with the NBU	305,593	695,112
Current accounts due from credit institutions	6	
State bonds designated at fair value through profit and loss	86,219	90,226
Other corporate bonds designated at fair value through profit and loss	5,320	12,203
Total financial assets designated at fair value through profit and loss	91,539	102,429
Held to maturity State bonds	106,359	108,847
Held to maturity NBU deposit certificates	-	25,297
Held to maturity other corporate bonds	37,120	69,703
Total held to maturity securities	143,479	203,847
Loans outstanding at the balance sheet date, gross	962,704	777,342
Less: allowance for impairment at the balance sheet date	(31,170)	(29,221)
Loans outstanding at the balance sheet date, net	931,534	748,121

(in thousands of Ukrainian hryvnia unless otherwise indicated)

	<u>30 June 2006 (unaudited)</u>	<u>31 December 2005 (audited)</u>
	<u>State controlled entities</u>	<u>State controlled entities</u>
Other assets	691	650
Loans and deposits due to credit institutions	60,062	
Current accounts due to credit institutions	445	
Amounts due to credit institutions	<u>60,507</u>	
Amounts due to the NBU	15,071	44,939
Current accounts at the balance sheet date	461,192	795,964
Time deposits as at the balance sheet date	93,106	114,623
Amounts due to customers	<u>554,298</u>	<u>910,587</u>
Other liabilities	29	24
Commitments and guarantees issued	343,493	194,043

	<u>For the six-month period ended</u>	
	<u>30 June 2006 (unaudited)</u>	<u>30 June 2005 (unaudited)</u>
	<u>State controlled entities</u>	<u>State controlled entities</u>
Interest income on loans	59,844	26,093
Interest income on securities	16,307	22,933
Interest income on amounts due from the NBU	222	-
Interest expense on clients' deposits	(20,922)	(4,839)
Interest expenses on amounts due to the NBU	(984)	(4,196)
Commission income	13,556	10,295
Commission expenses	(36)	(55)
Translation differences	38,677	89,580
Other operating income	98	2
Other operating and administrative expenses	(131)	(66)

16. Capital adequacy

The Bank's international risk based capital adequacy ratio as at 30 June 2006 was 14.74% (31 December 2005: 14.48%), which exceeds the minimum ratio of 8% recommended by the Basle Accord. Capital adequacy was assessed based on the requirements and methodology defined in the 1988 Basle Accord.