

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

For the six month period ended 30 June 2007
Together with the Review Report of Independent Auditors’

Report on review of interim condensed consolidated financial statements

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Joint Stock Company "The State Export-Import Bank of Ukraine" (the "Bank") and its subsidiaries as at 30 June 2007, comprising of the interim condensed consolidated balance sheet at the 30 June 2007 and the related interim condensed consolidated statements of income, cash flows and changes in equity for the six-month period then ended and selected 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.

Scope of 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.

Conclusion

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.

Ernst & Young Audit Services LLC

05 September 2007

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INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2007

(Thousands of Ukrainian hryvnia)

	<i>Notes</i>	<i>30 June 2007 (unaudited)</i>	<i>31 December 2006 (audited)</i>
Assets			
Cash and cash equivalents	3	4,495,485	2,947,705
Amounts due from credit institutions	4	225,701	97,049
Loans to customers	5	16,720,469	13,462,902
Investment securities:			
- designated at fair value through profit and loss	6	687,830	642,377
- available for sale	6	2,240	2,245
- held to maturity	6	45,836	227,224
Property, equipment	7	1,010,440	988,363
Intangible assets	8	8,069	8,646
Other assets		99,745	72,844
Total assets		23,295,815	18,449,355
Liabilities			
Amounts due to credit institutions	9	5,447,724	3,509,749
Amounts due to customers		8,525,597	6,689,519
Eurobonds issued	10	5,142,651	5,128,239
Bonds issued	11	1,285,514	505,732
Subordinated debt	12	639,151	636,135
Current income tax liabilities		15,720	14,540
Deferred income tax liabilities		152,788	139,244
Other liabilities		100,745	68,051
Provisions		13,792	21,390
Total liabilities		21,323,682	16,712,599
Equity			
Share capital	13	1,999,232	1,631,649
Revaluation reserve		446,878	452,457
Accumulated deficit		(474,033)	(347,403)
Total equity attributable to shareholder of the Bank		1,972,077	1,736,703
Minority interest		56	53
Total equity		1,972,133	1,736,756
Total liabilities and equity		23,295,815	18,449,355

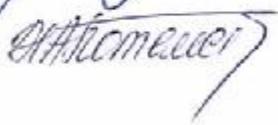
Signed and authorised for release on behalf of the Board of the Bank

Victor Kapustin



Chairman of the Board

Nataliya Potemska



Chief Accountant

22 August 2007

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 2007

(Thousands of Ukrainian hryvnia)

	<i>For the six- month period ended 30 June</i>	
	<i>2007</i>	<i>2006</i>
<i>Notes</i>	<i>unaudited</i>	
Interest income		
Loans to customers	995,351	574,653
Amounts due from credit institutions	69,442	39,345
Investment securities	45,555	34,923
Other	-	770
	1,110,348	649,691
Interest expense		
Due to customers	(256,282)	(163,746)
Eurobonds issued	(191,166)	(93,319)
Due to credit institutions	(150,928)	(41,493)
Bonds issued	(29,511)	(9,472)
Subordinated debt	(26,347)	(21,179)
Due to the NBU	-	(1,020)
Other	-	(11,801)
	(654,234)	(342,030)
Net interest income	456,114	307,661
Impairment of interest earning assets	(88,772)	17,482
Net interest income after impairment of interest earning assets	367,342	325,143
Fee and commission income	123,315	107,484
Fee and commission expense	(14,020)	(9,806)
Fees and commissions, net	109,295	97,678
Gains less losses from foreign currencies:		
- dealing	52,136	37,126
- translation differences	1,640	3,815
Dealing in securities	202	272
Other income	26,445	2,267
Non interest income	80,423	43,480
Re-measurement of financial instruments	(1,062)	465
Salaries and benefits	(180,708)	(140,953)
Depreciation and amortisation	(24,456)	(16,604)
Other administrative and operating expenses	(57,274)	(40,563)
Release (impairment) of other assets and provisions	32,587	(2,721)
Non interest expense	(230,913)	(200,376)
Profit before income tax expenses	326,147	265,925
Income tax expense	(90,770)	(74,910)
Profit for the period	235,377	191,015
Attributable to:		
- shareholder of the Bank	235,374	191,015
- minority interest	3	-
	235,377	191,015

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2007

(Thousands of Ukrainian hryvnia)

	<i>Attributable to shareholder of the Bank</i>			<i>Minority interest</i>	<i>Total equity</i>
	<i>Share capital</i>	<i>Revaluation reserve</i>	<i>Accumulated deficit</i>		
31 December 2005 <i>(audited)</i>	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 <i>(unaudited)</i>	1,631,649	-	(494,232)	-	1,137,417
31 December 2006 <i>(audited)</i>	1,631,649	452,457	(347,403)	53	1,736,756
Depreciation of revaluation reserve, net of tax	-	(5,579)	5,579	-	-
Total expense for the period recognised directly in equity	-	(5,579)	5,579	-	-
Profit for the period	-	-	235,374	3	235,377
Total income and expense for the period	-	(5,579)	240,953	3	235,377
Capitalised profits	367,583	-	(367,583)	-	-
30 June 2007 <i>(unaudited)</i>	1,999,232	446,878	(474,033)	56	1,972,133

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2007

(Thousands of Ukrainian hryvnia)

	<i>For six-month period ended</i>	
	30 June	
	2007	2006
	(unaudited)	
Cash flows from operating activities		
Interest, fees and commissions received	1,186,160	810,737
Interest, fees and commissions paid	(566,104)	(310,648)
Gains less losses from dealing in foreign currencies and securities	52,338	37,398
Other operating income received	26,445	1,852
Salaries and benefits	(167,312)	(132,200)
Other operating and administrative expenses paid	(59,665)	(40,971)
Cash flow from operating activities before changes in operating assets and liabilities	471,862	366,168
<i>Increase in operating assets:</i>		
Amount due from credit institutions	(125,878)	(45,560)
Loans to customers	(3,181,908)	(2,573,301)
Other assets	(1,863)	(15,168)
<i>Increase/ (decrease) in operating liabilities:</i>		
Amounts due to the National Bank of Ukraine	-	(29,868)
Amounts due to credit institutions	145,560	(168,167)
Amounts due to customers	1,782,178	1,177,705
Other liabilities	14,218	(383)
Net cash flows from operating activities before income tax	(895,831)	(1,288,574)
Income tax paid	(76,043)	(36,626)
Net cash flows from operating activities	(971,874)	(1,325,200)
Cash flows from financing activities		
Proceeds from bonds issued	775,503	-
Proceeds from subordinated debt attracted	-	467,893
Redemption of subordinated debt	-	(202,000)
Amounts due to credit institutions	1,633,719	1,075,006
Net cash inflow from financing activities	2,409,222	1,340,899
Cash flows from investing activities		
Investments in securities	135,678	(163,558)
Purchases of property, equipment and intangible assets	(46,219)	(32,570)
Proceeds from sale of property and equipment	558	631
Net cash used in investing activities	90,017	(195,497)
Effect of exchange rate changes on cash and cash equivalents	20,415	10,257
Net change in cash and cash equivalents	1,547,780	(169,541)
Cash and cash equivalents at the beginning of the period (Note 3)	2,947,705	2,092,928
Cash and cash equivalents at the end of the period (Note 3)	4,495,485	1,923,387

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 2007 and 31 December 2006, 100% of Bank’s shares were owned by the Cabinet Ministers of Ukraine on behalf of the State of Ukraine.

The Bank’s Head office is in Kyiv at 127, Gorky St. It had 3,688 employees as at 30 June 2007 (2006: 3,471 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.

Additionally to the main banking activities, one of the activities of the Bank is to facilitate, on behalf of the Ukrainian Government, the administration of loan agreements entered into between 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.

A letter from the Cabinet of Ministers dated 4 August 1995, which was subsequently formalised in an Agency Agreement dated 19 September 1996, confirms that the responsibility of the Bank is to act as an agent of the Ukrainian Government for the above described activities and thereby the loan obligations and related risks belong to the Government.

2. Basis of preparation and accounting policies

Basis of preparation

The interim condensed consolidated financial statements for the six-month period ended 30 June 2007 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 2006.

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 2006, except for the adoption of new Standards and Interpretations, noted below. Adoption of these Standards and Interpretations didn’t have any effect on the financial position of the Bank.

(in thousands of Ukrainian hryvnia unless otherwise indicated)

IFRS 7 “Financial Instruments: Disclosure”

The Bank has adopted IFRS 7 as at 1 January 2007, which requires disclosures to enable users to evaluate the significance of the Bank’s financial instruments and the nature and extent of risks arising from those financial instruments.

IFRIC 9 “Reassessment of Embedded Derivatives”

The Bank adopted IFRIC 9 Interpretation as at 1 January 2007, which states that the date to assess the existence of embedded derivatives is the date that the entity first becomes party to the contract, reassessment only if there is a change to the contract that significantly modifies cash flows.

IFRIC 10 “Interim Financial Reporting and Impairment”

The Bank adopted IFRIC 10 Interpretation as at 1 January 2007, which requires that entity must not reverse an impairment loss recognised in previous interim period in respect of goodwill or investments ether instruments or financial assets carries at cost.

IFRIC 11 “IFRS 2 – Group and Treasury Share Transactions”

The Bank has elected to adopt IFRIC Interpretation 11 as 1 January 2007. This interpretation requires arrangements whereby an employee is granted rights to an entity’s equity instruments to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another part. Or the shareholders provide the equity instruments needed. The adoption of this Interpretation did not have any affect on the financial position or performance of the Bank.

Consolidated subsidiaries

These interim condensed consolidated financial statements include the accounts of the Bank and its 100% owned subsidiaries – “Ukreximleasing” and “Eximleasing”, which operate in Ukraine in the trading and leasing business, and 99% owned subsidiary – investment fund “Agat”.

3. Cash and cash equivalents

Cash and cash equivalents comprised the following as at 30 June 2007 and 31 December 2006:

	<i>30 June 2007</i> <i>(unaudited)</i>	<i>31 December</i> <i>2006 (audited)</i>
Cash on hand	281,579	267,820
Current account with the National Bank of Ukraine	1,206,492	489,610
Current accounts with other credit institutions	1,656,299	1,283,042
Overnights deposits with other credit institutions	1,310,095	877,233
Time deposits with credit institutions up to 90 days	41,020	30,000
Cash and cash equivalents	<u>4,495,485</u>	<u>2,947,705</u>

(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 2007 and 31 December 2006:

	30 June 2007 (unaudited)	31 December 2006 (audited)
Loans and deposits		
Ukrainian banks	214,379	84,062
CIS and other foreign banks	6,435	6,435
OECD banks	2,123	4,573
	222,937	95,070
Other amounts due from credit institutions	2,764	1,979
	225,701	97,049

5. Loans to customers

Loans to customers consisted of the following as at 30 June 2007 and 31 December 2006:

	30 June 2007 (unaudited)	31 December 2006 (audited)
Loans to customers	16,699,379	13,872,672
Overdrafts	536,481	79,951
Finance lease receivables	30,207	29,093
Promissory notes	77,742	17,375
	17,343,809	13,999,091
Less – Allowance for impairment	(623,340)	(536,189)
Loans to customers	16,720,469	13,462,902

Loans have been extended to the following types of customers:

	30 June 2007 (unaudited)	31 December 2006 (audited)
Private entities	15,458,231	12,342,031
State and municipal entities	1,254,555	1,272,198
Individuals	631,023	384,862
	17,343,809	13,999,091

6. Investments in securities

Investment securities designated at fair value through profit or loss as at 30 June 2007 and 31 December 2006 comprise the following:

	30 June 2007 (unaudited)	31 December 2006 (audited)
Corporate bonds	469,220	431,413
Ukrainian State bonds	218,610	210,964
Investment securities designated at fair value	687,830	642,377

(in thousands of Ukrainian hryvnia unless otherwise indicated)

Available-for-sale investment securities comprise:

	30 June 2007 (unaudited)	31 December 2006 (audited)
Corporate shares	3,062	3,120
Less – allowance for impairment	(822)	(875)
Available-for-sale investments	2,240	2,245

Held-to-maturity investment securities comprise the following:

	30 June 2007 (unaudited)		31 December 2006 (audited)	
	Nominal value	Carrying value	Nominal value	Carrying value
Ukrainian State bonds	17,100	17,178	97,683	98,526
NBU deposit certificates	-	-	100,000	100,030
Corporate bonds	28,000	28,658	28,000	28,668
Held-to-maturity investments		45,836		227,224

7. Property and equipment

The movements of property, equipment and computer software were as follows:

	Buildings and property	Computers and equipment	Furniture, fixtures and other assets	Motor vehicles	Construction in progress	Total
Cost						
31 December 2006	1,072,546	139,176	79,284	14,809	30,769	1,336,584
Additions		3,492	2,904		39,654	46,050
Disposals	(473)	(525)	(197)	(513)	(1,027)	(2,735)
Transfers	3,523	11,024	2,004	1,506	(18,200)	(143)
Reclassifications	339	101	(440)			-
30 June 2007	1,075,935	153,268	83,555	15,802	51,196	1,379,756
Accumulated depreciation and amortisation						
31 December 2006	(191,251)	(97,143)	(47,877)	(11,950)		(348,221)
Charge for the year	(11,475)	(6,446)	(4,065)	(555)		(22,541)
Disposals	240	520	173	513		1,446
Reclassifications	(13)	(2)	15			-
30 June 2007	(202,499)	(103,071)	(51,754)	(11,992)		(369,316)
Net book value:						
31 December 2006	881,295	42,033	31,407	2,859	30,769	988,363
30 June 2007	873,436	50,197	31,801	3,810	51,196	1,010,440

As at 30 June 2007, buildings and property include leasehold improvements with a net book value of UAH 5,814 thousand (31 December 2006: UAH 4,952 thousand).

(in thousands of Ukrainian hryvnia unless otherwise indicated)

8. Intangible assets

The movements of intangible assets were as follows:

	<u>Computer software</u>
Cost	
31 December 2006	27,580
Additions	1,195
Disposals	(91)
Transfers	143
30 June 2007	28,827
Accumulated amortisation	
31 December 2006	(18,934)
Charge for the year	(1,915)
Disposals	91
30 June 2007	(20,758)
Net book value:	
31 December 2006	8,646
30 June 2007	8,069

9. Amounts due to credit institutions

As at 30 June 2007 and 31 December 2006, amounts due to credit institutions comprise:

	<u>30 June 2007</u> <u>(unaudited)</u>	<u>31 December</u> <u>2006 (audited)</u>
Current accounts		
Ukrainian banks	291,314	128,111
CIS and other foreign banks	1,567	790
	292,881	128,901
Loans and deposits		
International financial organisations	1,175,141	1,054,471
OECD banks	3,594,936	1,925,252
CIS and other foreign banks	341,440	339,349
Ukrainian banks	42,716	61,592
	5,154,233	3,380,664
Other amounts due to credit institutions	610	184
Amounts due to credit institutions	5,447,724	3,509,749

10. Eurobonds issued

	<u>30 June 2007 (unaudited)</u>		<u>31 December 2006 (audited)</u>	
	<u>Nominal value</u>	<u>Carrying value</u>	<u>Nominal value</u>	<u>Carrying value</u>
September 2004 issue	757,500	758,754	757,500	757,466
February 2005 issue	505,000	522,726	505,000	522,694
October 2005 issue	1,262,500	1,275,726	1,262,500	1,275,156
September 2006 issue	1,767,500	1,803,054	1,767,500	1,803,268
November 2006 issue	757,500	782,391	757,500	769,655
Eurobonds issued		5,142,651		5,128,239

(in thousands of Ukrainian hryvnia unless otherwise indicated)

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 758,754 thousand as at 30 June 2007 (31 December 2006: UAH 757,466 thousand). 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 505,500 thousand) from Dresdner Bank AG (carrying value of UAH 522,726 thousand as at 30 June 2007 (31 December 2006: UAH 522,694 thousand). 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 1,275,726 thousand as at 30 June 2007 (31 December 2006: UAH 1,275,156 thousand). 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.

In September 2006, the Bank obtained a loan amounting to USD 350,000 thousand (UAH 1,767,500 thousand) from Credit Suisse International (carrying value of UAH 1,803,054 thousand as at 30 June 2007 (31 December 2006: UAH 1,803,268 thousand). The loan was funded by 7.65% loan participation notes (“Eurobonds”) issued by, but without recourse to, Credit Suisse International, for the sole purpose of funding this loan to the Bank. The loan matures in September 2011 and the interest rate is 7.65% p.a. Interest payments are made semi-annual in arrears on 7 March and 7 September of each year, commencing on 7 March 2007.

In November 2006, the Bank obtained a further loan amounting to USD 150,000 thousand (UAH 757,500 thousand) from Credit Suisse International (carrying value of UAH 782,391 thousand as at 30 June 2007 (31 December 2006: UAH 769,655 thousand). This loan was funded by 7.65% loan participation notes (“Eurobonds”) which were consolidated and form a single series with the notes issued in September 2006.

11. Bonds issued

In December 2005, the Bank issued local bonds series A with a nominal value of UAH 200,000 thousand (carrying value of UAH 200,470 thousand as at 30 June 2007 (2006: UAH 200,524 thousand). The bonds are denominated in hryvnia, bear interest at 9.55% p. a. and mature in December 2008. Interest payments are made quarterly. As at 30 June 2007, bonds with a carrying value of UAH 200,470 thousand were due to one legal entity (2006: UAH 200,524 thousand were due to one legal entity).

In October 2006, the Bank issued local bonds series B with a nominal value of UAH 300,000 thousand (carrying value of UAH 307,782 thousand as at 30 June 2007 (2006: UAH 305,208 thousand). The bonds are denominated in hryvnia, bear interest at 10.5% p.a. and mature in October 2009. Interest payments are made semi-annually in arrears in April and October starting from 9 April 2007. Holders of these bonds have the right to early redemption on 9 October 2007. As at 30 June 2007, bonds with a carrying value of UAH 283,159 thousand were due to two legal entities (2006: UAH 280,791 thousand were due to two legal entities).

In June 2007, the Bank issued local bonds series C with a nominal value of UAH 500,000 thousand (carrying value of UAH 501,470 thousand as at 30 June 2007). The bonds are denominated in hryvnia, bear interest at 9.75 % p.a. and mature in June 2010. Interest payments are made semi-annually in arrears in June and December starting from 19 December 2007. 30 June 2007, bonds with a carrying value of UAH 501,470 thousand were due to two legal entities.

In June 2007, the Bank issued local bonds series D with a nominal value of UAH 275,000 thousand (carrying value of UAH 275,792 thousand as at 30 June 2007). The bonds are denominated in hryvnia, bear interest at 9.55 % p.a. and

(in thousands of Ukrainian hryvnia unless otherwise indicated)

mature in June 2012. Interest payments are made semi-annually in arrears in June and December starting from 19 December 2007. Holders of these bonds have the right to early redemption on 17 June 2009. As at 30 June 2007, bonds with a carrying value of UAH 275,792 thousand were due to one legal entity.

12. 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 484,394 thousand as at 30 June 2007 (31 December 2006: UAH 484,456 thousand). This loan was funded by 8.40% loan participation notes issued by on a limited recourse basis 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 rate step-up in 2011. Interest payments are made semi-annually in arrears on 9 February and 9 August of each year, commencing on 9 August 2006.

In November 2006, the Bank obtained a further loan amounting to USD 30,000 thousand (UAH 151,500 thousand) from Credit Suisse International (carrying value of UAH 154,757 thousand as at 30 June 2007 (31 December 2006: UAH 151,679 thousand). This loan was funded by 8.40% loan participation notes, which were consolidated and form a single series with the notes issued in February 2006.

13. Equity

As at 30 June 2007, the Bank's authorised issued share capital comprised 1,286,000 (2006: 918,417) ordinary shares, with a nominal value of UAH 1,000 per share. All shares have equal voting rights. As at 30 June 2007, 918,417 shares were fully paid and registered and 367,583 shares were fully paid but not yet registered (2006: all shares were fully paid and registered).

14. Financial commitments and contingencies

Financial commitments and contingencies as at 30 June 2007 and 31 December 2006 comprise:

	30 June 2007 (unaudited)	31 December 2006 (audited)
Letters of credit	1,019,747	1,001,792
Guarantees	466,044	427,478
Avals on promissory notes	115,297	88,621
Undrawn loan commitments	437,484	388,574
	2,038,572	1,906,465
Less – Cash held as security against letters of credit, avals and guarantees	(350,998)	(528,775)
Financial commitments and contingencies	1,687,574	1,377,690

As at 30 June 2007, the Bank has recognised a provision of UAH 13,792 thousand (2006: UAH 21,390 thousand) against unsecured commitments.

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.

(in thousands of Ukrainian hryvnia unless otherwise indicated)

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 2007 and 31 December 2006, and related expense and income for the six-month periods ended 30 June 2007 and 2006 are as follows:

	30 June 2007 (unaudited)	31 December 2006 (audited)
	State controlled entities	State controlled entities
Correspondent account with the NBU	1,206,492	486,610
Amounts due from credit institutions	1	41
State bonds designated at fair value through profit and loss	218,610	210,964
Held to maturity State bonds	17,178	98,526
Held to maturity NBU deposit certificates	-	100,030
Held to maturity other corporate bonds	20,378	20,384
Total held to maturity securities	37,556	218,940
Loans outstanding	1,248,993	1,263,948
Less: allowance for impairment	(87,701)	(78,372)
Loans outstanding, net	1,161,292	1,185,576
Other assets	10,032	10,631
Amounts due to credit institutions	58,482	3,923
Current accounts	918,849	406,510
Time deposits	119,208	89,681
Amounts due to customers	1,038,057	496,191
Bonds issued	102,466	101,736
Other liabilities	14,327	10,801
Provision for unsecured commitments	(6,786)	(12,490)
Commitments and guarantees issued	235,735	271,132
	For the six-month period ended	
	30 June 2007	30 June 2006
	(unaudited)	
	State controlled entities	State controlled entities
Interest income on loans	40,874	59,844
Interest income on securities	7,158	16,307
Interest income on amounts due from NBU	-	222
Interest income	48,032	76,373
Interest expenses on amounts due to credit institutions	(440)	-
Interest expense on customers' deposits	(8,260)	(20,922)
Interest expenses on bonds issued	(6,094)	-
Interest expenses on amounts due to the NBU	-	(984)
Interest expenses	(14,794)	(21,906)
Commission income	1,696	13,556
Commission expenses	(49)	(36)
Translation differences	6,579	38,677
Other operating income	-	98
Measurement of financial instruments	(59)	-
Other operating and administrative expenses	(55)	(131)

(in thousands of Ukrainian hryvnia unless otherwise indicated)

The aggregate remuneration and other benefits paid to eleven members of the Management Board for six months period ended 30 June 2007 is UAH 8,747 thousand (six month period ended 30 June 2006: UAH 5,649 thousand).

As at 30 June 2007, members of the Management and Supervisory Board have UAH 1,206 thousand (31 December 2006: UAH 3,763 thousand) of loans issued under normal conditions.

16. Capital adequacy

The Bank's international risk based capital adequacy ratio as at 30 June 2007 was 14.09% (31 December 2006: 15.94% 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.

17. Subsequent events

In August 2007 the Cabinet Ministers of Ukraine approved a decision to increase the Bank's share capital by 200,000 ordinary shares.