OPEN JOINT STOCK BANK “UKRGASBANK”

Interim Financial Statements
For 6 Months Ended 30 June 2008

OPEN JOINT STOCK BANK “UKRGASBANK”

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OPEN JOINT STOCK BANK "UKRGASBANK"

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM FINANCIAL STATEMENTS FOR 6 MONTHS ENDED 30 JUNE 2008

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

Management is responsible for the preparation of the interim financial statements that present fairly the financial position of the Bank at 30 June 2008, the results of its operations, cash flows and changes in equity for the period then ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the interim 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 interim financial statements; and
- Preparing the interim 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 interim financial statements of the Bank comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of Ukrainian;
- 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 interim financial statements for the 6 month ended 30 June 2008, were authorized for issue by the Board on 26 August 2008.

On behalf of the Board:

Vadim Lyashko, Chairman of the Board	Nataliya Ilnytska, Chief Accountant
26 August 2008	26 August 2008

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying interim financial statements of the OJSB "UkrGasBank", which comprise the interim balance sheet as at 30 June 2008 and the interim statements of income, changes in equity and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory notes to these interim financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these interim 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 interim 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 interim 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 interim financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the interim 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 interim financial statements present fairly, in all material respects the financial position of OJSB "UkrGasBank" as at 30 June 2008, and its financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

26 August 2008

OPEN JOINT STOCK BANK "UKRGASBANK"

INTERIM INCOME STATEMENT
FOR 6 MONTHS ENDED 30 JUNE 2008
(in Ukrainian Hryvnias and in thousands, except for earnings per share which is in Ukrainian Hryvnias)

	Notes	6 months ended 30 June 2008	6 months ended 30 June 2007
Interest income	5, 30	706,157	316,787
Interest expense	5, 30	(459,205)	(183,505)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		246,952	133,282
Initial fair value recognition adjustment on interest bearing assets		-	(1,345)
Provision for impairment losses on interest bearing assets	6, 30	(60,356)	(35,947)
NET INTEREST INCOME		186,596	95,990
Net gain on foreign exchange operations	7	109,330	13,230
Net (loss)/gain on precious metals operations		(5,102)	867
Fee and commission income	8	76,223	39,491
Fee and commission expense	8	(10,874)	(7,333)
Net realized gain on investments available for sale		15,158	9,369
Income on investment property	9	663	3,555
Other income		1,947	1,529
NET NON-INTEREST INCOME		187,345	60,708
OPERATING INCOME		373,941	156,698
OPERATING EXPENSES	10	(266,383)	(122,100)
Provision for impairment losses on other transactions	6	(4,721)	(760)
PROFIT BEFORE INCOME TAX		102,837	33,838
Income tax expense	11	(28,050)	(13,595)
NET PROFIT		74,787	20,243
EARNINGS PER SHARE, UAH	12	0.15	0.06

On behalf of the Board:

Vadim Lyashko, Chairman of the Board

26 August 2008

Nataliya Ilnytska, Chief Accountant

26 August 2008

The notes on pages 8-56 form an integral part of these interim financial statements.

OPEN JOINT STOCK BANK “UKRGASBANK”

INTERIM BALANCE SHEET
AS AT 30 JUNE 2008
(in Ukrainian Hryvnias and in thousands)

	Notes	30 June 2008	31 December 2007
ASSETS:			
Cash and balances with the National bank of Ukraine	13	698,982	467,081
Precious metals	14	64,210	24,722
Financial assets at fair value through profit or loss		-	1,808
Due from banks	15	3,951,489	3,853,007
Loans to customers	16, 30	6,037,957	4,706,411
Investments available for sale	17, 30	983,480	586,059
Property, plant and equipment	18	841,254	778,390
Investment property	19	16,036	17,031
Other assets	20	79,183	43,954
TOTAL ASSETS		12,672,591	10,478,463
LIABILITIES AND EQUITY			
LIABILITIES:			
Due to banks	21	3,960,058	3,278,424
Customer accounts	22, 30	6,641,493	5,237,339
Debt securities issued	23	478,312	387,372
Other borrowed funds	24	124,079	389,648
Deferred income tax liabilities	11	160,769	142,599
Other liabilities	25	69,030	29,694
Subordinated debt	26	50,492	50,510
Total liabilities		11,484,233	9,515,586
EQUITY:			
Share capital	27	612,835	512,835
Share premium	27	120,015	69,404
Investments available for sale fair value reserve		137	54
Property revaluation reserve		270,390	270,390
Retained earnings		184,981	110,194
Total equity		1,188,358	962,877
TOTAL LIABILITIES AND EQUITY		12,672,591	10,478,463

On behalf of the Board:

Vadim Lyashko, Chairman of the Board

26 August 2008

Nataliya Ilnytska, Chief Accountant

26 August 2008

The notes on pages 8-56 form an integral part of these interim financial statements.

OPEN JOINT STOCK BANK "UKRGASBANK"

INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR 6 MONTHS ENDED 30 JUNE 2008
(in Ukrainian Hryvnias and in thousands)

	Share capital	Share premium	Investments available for sale fair value reserve	Property revaluation reserve	Retained earnings	Total equity
31 December 2006	**312,835**	**2,816**	**-**	**144,934**	**28,485**	**489,070**
Share capital increase of ordinary shares	100,000	-	-	-	-	100,000
Fair value adjustments of available for sale investments	-	-	4,728	-	-	4,728
Deferred tax liabilities attributable to revaluation of available for sale investments	-	-	(1,182)	-	-	(1,182)
Disposals of available for sale investments	-	-	(732)	-	-	(732)
Deferred tax liability attributable to revaluation of available for sale investments	-	-	183	-	-	183
Gains on revaluation of property, plant and equipment	-	-	-	59,353	-	59,353
Deferred tax liabilities attributable to revaluation of property, plant and equipment	-	-	-	(14,838)	-	(14,838)
Net profit	-	-	-	-	20,243	20,243
30 June 2007	**412,835**	**2,816**	**2,997**	**189,449**	**48,728**	**656,825**
31 December 2007	**512,835**	**69,404**	**54**	**270,390**	**110,194**	**962,877**
Share capital increase of ordinary shares	100,000	50,611	-	-	-	150,611
Fait value adjustment on available for sale investments	-	-	1,663	-	-	1,663
Deferred tax liabilities attributable to revaluation of available for sale investments	-	-	(416)	-	-	(416)
Disposal of available for sale investments	-	-	(1,552)	-	-	(1,552)
Deferred tax liabilities attributable to gains on revaluation of investments.	-	-	388	-	-	388
Net profit	-	-	-	-	74,787	74,787
30 June 2008	**612,835**	**120,015**	**137**	**270,390**	**184,981**	**1,188,358**

On behalf of the Board:

Vadim Lyashko, Chairman of the Board

26 August 2008

Nataliya Ilnytska, Chief Accountant

26 August 2008

The notes on pages 8-56 form an integral part of these interim financial statements.

OPEN JOINT STOCK BANK “UKRGASBANK”

INTERIM STATEMENT OF CASH FLOWS
FOR 6 MONTHS ENDED 30 JUNE 2008

in Ukrainian Hryvnias and in thousands)

	6 months ended 30 June 2008	6 months ended 30 June 2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before income tax	102,837	33,838
Adjustments for:		
Provision for impairment losses on interest bearing assets	60,356	35,947
Provision for impairment losses on other transactions	4,721	760
Unrealized gain and amortization of discounts on securities	(43,512)	(49,064)
Revaluation of investment property	-	(3,037)
Unrealized gain on foreign exchange operations	39,411	1,449
Depreciation and amortization	22,777	11,266
(Gain)/loss from property, plant and equipment and intangible assets disposal and impairment	(505)	102
Change in interest accruals, net	4,852	11,089
Initial recognition of loans	-	1,345
Cash flows from operating activities before changes in operating assets and liabilities	190,937	43,695
Changes in operating assets and liabilities		
(Increase)/decrease in operating assets:		
Minimum reserve deposit with the National bank of Ukraine	(28,751)	(8,450)
Precious metals	(39,488)	(168)
Financial assets at fair value through profit or loss	-	(20,813)
Due from banks	(151,904)	(353,758)
Loans to customers	(1,437,999)	(1,149,888)
Other assets	11,823	(6,885)
Increase in operating liabilities		
Due to banks	738,759	626,652
Customer accounts	1,423,254	577,919
Other liabilities	31,174	3,510
Cash inflow/(outflow) from operating activities before taxation	737,805	(288,186)
Income tax paid	(4,288)	(1,388)
Net cash inflow/(outflow) from operating activities	733,517	(289,574)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment and intangible assets	(133,162)	(115,103)
Proceeds on sale of property, plant and equipment and intangible assets	1,361	427
Proceeds on sale of investments available for sale	3,611,040	1,504,681
Purchase of investments available for sale	(3,965,789)	(1,525,774)
Net cash outflow from investing activities	(486,550)	(135,769)

OPEN JOINT STOCK BANK "UKRGASBANK"

INTERIM STATEMENT OF CASH FLOWS (CONTINUED)
FOR 6 MONTHS ENDED 30 JUNE 2008
(in Ukrainian Hryvnias and in thousands)

	Notes	6 months ended 30 June 2008	6 months ended 30 June 2007
CASH FLOWS FROM FINANCING ACTIVITIES:			
Share capital issue	27	150,611	100,000
Sale of treasury stock			
Proceeds from debt securities issued		442,304	241,914
Purchase of debt securities issued		(352,311)	(176,130)
Other borrowed funds		(262,359)	278,088
Dividends paid		-	(833)
Net cash (outflow)/inflow from financing activities		(21,755)	443,039
Effect of changes in foreign exchange rate on cash and cash equivalents		(8,758)	(265)
NET INCREASE IN CASH AND CASH EQUIVALENTS		216,454	17,431
CASH AND CASH EQUIVALENTS, beginning of year	13	400,221	253,317
CASH AND CASH EQUIVALENTS, end of year	13	616,675	270,748

Interest paid and received by the Bank during the 6 months ended 30 June 2008 amounted to UAH 496,941 thousand and UAH 673,273 thousand, respectively.

Interest paid and received by the Bank during the 6 months ended 30 June 2007 amounted to UAH 163,045 thousand and UAH 258,209 thousand, respectively.

On behalf of the Board:

Vadim Lyashko, Chairman of the Board

26 August 2008

Nataliya Ilnytska, Chief Accountant

26 August 2008

The notes on pages 8-56 form an integral part of these interim financial statements.

(in Ukrainian Hryvnias and in thousands)

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 (the "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 September 2002. In November 2002 the Bank acquired branch in Kharkiv from JSB "Energobank". In 2003 the Bank acquired branch of OJSB "Zahidbudgasbank" in Kamyanets-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 39, Velyka Vasilkivska St. in Kyiv.

As at 30 June 2008 and 30 June 2007 the Bank has 17 and 22 branches operating in Ukraine, 323 and 196 outlets operating in Ukraine, respectively.

As at 31 December 2007 and 30 June 2006 the Bank has 18 and 22 branches, 268 and 126 outlets operating in Ukraine, respectively.

The number of employees of the Bank as at 30 June 2008 and as at 31 December 2007 was 4,239 and 3,449, respectively.

As at 30 June 2008 and 31 December 2007, the following direct shareholders owned the issued shares:

	30 June 2008, %	**31 December 2007, %**
"Financial Investment Alliance" LLC	33.0	33.0
"Company "Ukrgasinvest plus" LLC	18.0	18.0
"Investanalytik" LLC	9.5	8.2
"Ukrainian company of projects development" LLC	8.8	8.8
"Ukrainian venture capital" LLC	7.9	7.4
"New Gas Technology" LLC	4.1	4.9
"Brokinvest-Laert" CJSC	3.9	3.1
"Arsenal-invest" LLC	3.9	3.9
"Ukrainski budivelni innovatsii" LLC	3.9	3.9
Gorbal V.M.	2.4	2.4
National JSC "Naftogas Ukraine"	1.5	1.8
Other	3.1	4.6
Total	**100.0**	**100.0**

Mr. Gorbal V.M. (47.4%) and Mr. Omelyanenko O.A. (36.4%) exercise control over the Bank through direct and indirect ownership.

These interim financial statements were authorized for issue by the Board of the Bank on 26 August 2008.

2. BASIS OF PRESENTATION

Accounting basis

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

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

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

The Bank maintains its accounting records in accordance with Ukrainian law. These interim financial statements have been prepared from 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 interim 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 interim 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.

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 and liabilities within the next financial period include:

	30 June 2008	**31 December 2007**
Financial assets at fair value through profit or loss	-	1,808
Investments available for sale	983,480	586,059
Property, plant and equipment	841,254	778,390
Investment property	16,036	17,031
Allowance for impairment losses on loans to customers	(252,738)	(192,410)

Loans to customers and due from banks are measured at amortized 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 losses incurred in the Bank's loan portfolio. The calculation of provisions on impaired loans is based on assessments of objective evidence of the asset impairment and assessments of losses on such impairment. These assessments are made by determining of the present value previously assessed future cash flows, by using statistical techniques based on historic experience. These determinations are supplemented by the application of management judgment.

The Bank considers accounting estimates related to provisions for loans 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 behavior, the credit quality of recent underwritten business and general economic conditions, which are not necessarily an indication of future losses.

Certain property (buildings and office premises) and investment property is measured at fair value. At the date of interim financial statements the Bank performs revaluation only if fair value of buildings and offices essentially change.

The date of the latest appraisal was 31 December 2007. The Bank performs revaluation on annual basis by attracting external valuator. The following methods used for estimation fair value of buildings and office premises: income capitalization and sales comparison methods in respect of property and cost approach in respect of equipment.

In determining fair values of certain investments available for sale, for which a valuation technique was used as at 30 June 2008, the Bank applied following assumptions:

- assumption on the level of interest rates used for discounting - in the range from 11% to 19%;
- 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 0.03% 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 end loans to customers:

Assumption	**Change in assumption by:**	**Effect on carrying amount**	**Change in assumption by:**	**Effect on carrying amount**
Interest rates used for discounting	+1%	26,530	-1%	(28,449)
Expected timing of future cash flows	Later by one quarter	26,383	Earlier by one quarter	(26,878)
Effective rate of provisions for impairment losses	+1%	(60,380)	-	-

Taxation is discussed in Note 28.

Functional currency

The functional currency of these interim financial statements is 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 and time deposit accounts with the National bank of Ukraine with original maturity within 90 days, 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 and government securities denominated in Ukrainian Hryvnias carried at fair value through profit or loss, 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 translated at the current rate computed based on exchange rate effective at the end of reporting periods.

	30 June 2008	**31 December 2007**
Ukrainian Hryvnia/1 Oz Gold	4,327.643	4,183.925
Ukrainian Hryvnia/1 Oz Silver	81.849	74.488

Changes in the bid prices are recorded in net gain/(loss) on operations with precious metals.

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 are measured at amortized cost using the effective interest method. Those that do not have fixed maturities are carried at amortized cost based on maturities estimated by the management. Amounts due from credit institutions are carried net of any allowance for impairment losses.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss represent derivative instruments or securities acquired principally for the purpose of selling them in the near future, or are a part of portfolio of identified financial instruments that are managed together and for which there is evidence of a recent and actual pattern of short-term profit taking or securities that upon initial recognition are designated by the Bank at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recorded and subsequently measured at fair value. The Bank uses quoted market prices to determine fair value for financial assets at fair value through profit or loss. Fair value adjustment on financial assets at fair value through profit or loss is recognized in the income statement for the period. The Bank does not reclassify financial instruments in or out of this category while they are held.

Repurchase and reverse repurchase agreements

In the normal course of business the Bank enters into sale and purchase back agreements ("repos") and purchase and sale back agreements of financial assets ("reverse repos"). 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 due to banks.

Assets purchased under reverse repos are recorded in the financial statements as loans to customers.

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.

Loans to customers

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

Loans granted by the Bank 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 interim income statement according to nature of these losses. Subsequently, loans are carried at amortized cost using the effective interest method. 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.

Allowance for impairment losses

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 Bank assesses impairment losses based on individual appraisal of risk assets for financial assets that are individually significant, and on 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 amortized cost using allowance account.

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 the fair value for the Bank's investments available for sale.

If the market for investments is not active, particularly in case of bonds issued for financing of construction (Note 17), 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 interim 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

Property, plant and equipment and intangible assets, except for buildings and office premises, acquired after 1 January 2001 are carried at historical cost less accumulated depreciation and any recognized impairment loss, if any. Property, plant and 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 is charged on the carrying value of property, plant and equipment and intangible 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:

Buildings and other real estate	2%
Furniture and equipment	10%-33%
Intangible assets	33%

Intangible assets which appeared in result of contractual or other legal rights, amortized during the period of their validity.

Accordance with some agreements or other rights these Intangible assets are amortized over the lengths of action's rights.

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.

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, plant and equipment and intangible assets 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.

Buildings and office premises 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 and subsequent accumulated impairment losses. 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, plant 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. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to income statement. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

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 reporting period. Taxable profit differs from net profit as reported in the interim income statement because it excludes items of income or expense that are taxable or deductible in other periods 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 period.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the interim 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.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Bank is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

Deferred income tax assets and deferred income tax liabilities are offset and reported net on the balance sheet if:

- The Bank has a legally enforceable right to set off current income tax assets against current income tax liabilities; and
- Deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Ukraine 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.

Due to banks, customer accounts, debt securities issued, other borrowed funds and subordinated debt

Due to banks, customer accounts, debt securities issued, other borrowed funds and subordinated debt are initially recognized at fair value. 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 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 the State pension fund. 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.

Interests earned on assets at fair value are classified within interest income.

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 income statement 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 income statement on expiry. Loan servicing fees are recognized as revenue as the services are provided. 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 end of periods used by the Bank in the preparation of the interim financial statements are as follows:

	30 June 2008	**31 December 2007**
UAH/1 US Dollar	4.848900	5.05000
UAH/1 Euro	7.627805	7.41946

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 derecognizing, 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.

Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segments with a majority of revenue earned from sales to external customers and whose revenue, result or assets are ten per cent or more of all the segments are reported separately. Geographical segments of the Bank have been reported separately within these interim financial statements based on the ultimate domicile of the counterparty, e.g. based on economic risk rather than legal risk of the counterparty.

Adoption of new standards

In the current year, the Bank has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB that are relevant to its operations and effective for reporting periods beginning on 1 January 2008. The adoption of these new and revised Standards and Interpretations has not resulted in significant changes to the Bank's accounting policies that have affected the amounts reported for the current or prior periods.

At the date of performing of these interim financial statements the following Standards and Interpretations applicable to the Bank were issued but not yet effective for these interim financial statements: Effective 1 January 2009, the new IFRS 8 "Operating Segments" will replace IAS 14 "Operating Segments". The management is currently assessing the impact of the adoption of these new and revised Standards in future period. The Bank anticipates that other new Standards and Interpretations will have no material financial impact on the financial statements of the Bank.

4. PRIOR PERIOD RECLASSIFICATIONS

Reclassifications

Some reclassification has been made to the interim financial statements as at 30 June 2007 and for the period then ended to conform to the current period presentation.

Nature of reclassification	Amount of reclassification	Income statement line as per the previous report	Income statement line as per current report
Interim income statement items			
Reclassification of provision for impairment losses on other transactions	760	Operating expenses	Provision for impairment losses on other transactions

5. NET INTEREST INCOME

	6 months ended 30 June 2008	6 months ended 30 June 2007
Interest income		
Interest income on assets recorded at amortized cost:		
- interest income on impaired assets	472,328	232,450
- interest income on unimpaired assets	233,829	84,248
Interest income on assets at fair value through profit or loss	-	89
Total interest income	**706,157**	**316,787**
Interest income on assets recorded at amortized cost comprises:		
Interest on loans to customers	472,328	232,450
Interest on loans and advances to banks	176,981	30,076
Interest income on securities available for sale	56,848	54,172
Total interest income on financial assets recorded at amortized cost	706,157	316,698
Interest income on financial assets held for trading	-	89
Total interest income	**706,157**	**316,787**
Interest expense comprises:		
Interest on liabilities recorded at amortized cost	459,205	183,505
Total interest expense	**459,205**	**183,505**

	6 months ended 30 June 2008	6 months ended 30 June 2007
Interest expense on liabilities recorded at amortized cost comprise:		
Interest on customer accounts	293,932	136,693
Interest on due to banks	121,770	35,851
Interest expense on debt securities issued by the Bank	25,736	6,955
Interest on other borrowed funds	14,783	1,031
Interest on subordinated debt	2,984	2,975
Total interest expense on financial assets recorded at amortized cost	**459,205**	**183,505**
Net interest income before provision for impairment losses on interest bearing assets	**246,952**	**133,282**

6. 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 2006	**1,990**	**99,826**	**101,816**
Provision	-	35,947	35,947
Write-off of assets	-	(1,480)	(1,480)
30 June 2007	**1,990**	**134,293**	**136,283**
31 December 2007	**1,990**	**192,410**	**194,400**
Provision	-	60,356	60,356
Write-off of assets	-	(28)	(28)
30 June 2008	**1,990**	**252,738**	**254,728**

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 2006	**336**	**1,530**	**1,910**	**3,776**
Provision	-	148	612	760
Write-off of assets	(61)	-	-	(61)
30 June 2007	**275**	**1,678**	**2,522**	**4,475**
31 December 2007	**276**	**1,631**	**7,097**	**9,004**
Provision	-	774	3,947	4,721
30 June 2008	**276**	**2,405**	**11,044**	**13,725**

7. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

Net gain/(loss) on foreign exchange operations comprises:

	6 months ended 30 June 2008	6 months ended 30 June 2007
Arbitration operations	55,726	2,456
Resource operations	42,491	504
Operations with purchasing/selling of currency for the clients of the Banl	31,499	409
Exchange operations with cash currency	18,490	10,611
Other	585	699
	148,741	14,679
Translation differences, net	(39,411)	(1,449)
Total net gain on foreign exchange operations	**109,330**	**13,230**

8. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income and expense comprise:

	6 months ended 30 June 2008	6 months ended 30 June 2007
Fee and commission income:		
Settlements	51,160	30,780
Foreign exchange operations	17,396	3,983
Loan operation	3,619	2,802
Securities operations	1,416	772
Other	2,632	1,154
Total fee and commission income	**76,223**	**39,491**
Fee and commission expense:		
Settlements	6,060	4,371
Foreign currency operations	3,925	2,541
Other	889	421
Total fee and commission expense	**10,874**	**7,333**

9. INCOME ON INVESTMENT PROPERTY

Income on investment property comprises:

	6 months ended 30 June 2008	6 months ended 30 June 2007
Rental income on investment property	663	518
Revaluation of investment property	-	3,037
Total income on investment property	**663**	**3,555**

10. OPERATING EXPENSES

Operating expenses comprise:

	6 months ended 30 June 2008	6 months ended 30 June 2007
Staff costs	157,991	62,200
Depreciation and amortization	22,777	11,266
Operating leases expenses	19,249	8,713
Communications	13,940	9,961
Repair and maintenance basic funds	9,261	5,358
Payments to the Individuals Guarantee Fund	7,865	4,412
Advertising	6,130	5,261
General bank expenses	4,983	3,723
Payments to non-government pension fund	4,885	2,371
Professional services fees	4,775	1,676
Security expenses	4,305	2,367
Taxes, other than income tax	3,766	605
Business trip expenses	1,542	691
Charity	1,341	751
Fines and penalties	166	25
Representative expenses	-	34
Other	3,407	2,686
Total operating expenses	**266,383**	**122,100**

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 30 June 2008 and 2007 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Temporary differences as at 30 June 2008 and 31 December 2007 comprise:

	30 June 2008	31 December 2007
Deductible temporary differences:		
Other liabilities	44,992	19,414
Accrued interest expenses	9,588	
Loans to customers	8,878	10,087
Debt securities issued	5,408	12,076
Allowance for impairment of assets	2,681	-
Due from banks	68	-
Total deductible temporary differences	**71,615**	**41,577**
Taxable temporary differences:		
Property, plant and equipment and intangible assets	(373,953)	(373,800)
Securities available for sale	(287,702)	(228,306)
Allowance for impairment of assets	(29,975)	(4,228)
Accrued interest	(22,387)	(5,641)
Other borrowed funds	(539)	-
Due to banks	(136)	-
Total taxable temporary differences	**(714,692)**	**(611,975)**
Net taxable temporary differences	(643,077)	(570,398)
Net deferred tax liability (25%)	**(160,769)**	**(142,599)**

Relationships between tax expenses and accounting profit for the 6 months ended 30 June 2008 and 2007 are explained as follows:

	6 months ended 30 June 2008	6 months ended 30 June 2007
Profit before income tax	**102,837**	**33,838**
Statutory tax rate	25%	25%
Tax at the statutory tax rate	25,709	8,460
Tax effect of permanent differences	2,341	5,135
Income tax expense	**28,050**	**13,595**
Current income tax expense	9,908	1,376
Change in the deferred tax liabilities	18,142	12,219
Income tax expense	**28,050**	**13,595**

Deferred income tax liabilities	6 months ended 30 June 2008	Year ended 31 December 2007
Beginning of the period	**142,599**	**70,272**
Deferred income tax expense	18,142	30,491
Tax effect of changes in property and equipment revaluation reserve	-	41,818
Decrease of tax effect of changes in investments available for sale fair value reserve	28	18
End of the period	**160,769**	**142,599**

12. EARNINGS PER SHARE

	6 Months ended 30 June 2008	6 Months ended 30 June 2007
Net profit for the year	74,787	20,243
Weighted average number of ordinary shares for basic earnings per share	513,259,186	356,171,206
Earnings per share – basic (UAH)	**0.15**	**0.06**

13. CASH AND BALANCES WITH THE NATIONAL BANK OF UKRAINE

	30 June 2008	31 December 2007
Cash	509,134	253,887
Balances with the National bank of Ukraine	189,848	213,194
Total cash and balances with the National bank of Ukraine	**698,982**	**467,081**

The balances with the National bank of Ukraine as at 30 June 2008 and 31 December 2007 include UAH 134,176 thousand and UAH 105,425 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:

	30 June 2008	31 December 2007
Cash and balances with the National bank of Ukraine	698,982	467,081
Due from banks in OECD countries	103,037	77,661
	802,019	544,742
Less minimum reserve deposits with the National bank of Ukraine	(134,176)	(105,425)
Less restricted cash	(51,168)	(39,096)
Total cash and cash equivalents	**616,675**	**400,221**

14. PRECIOUS METALS

Precious metals comprise:

	30 June 2008	31 December 2007
Gold in vault	64,209	24,721
Silver in vault	1	1
Total precious metals	**64,210**	**24,722**

15. DUE FROM BANKS

Due from banks comprise:

	30 June 2008	**31 December 2007**
Time deposits with other banks	3,698,794	3,583,598
Correspondent accounts with other banks	254,685	271,399
	3,953,479	3,854,997
Less allowance for impairment losses	(1,990)	(1,990)
Total due from banks	**3,951,489**	**3,853,007**

Movements in allowances for impairment losses on balances due from banks for the 6 months ended 30 June 2008 and 2007 are disclosed in Note 6.

As at 30 June 2008 and 31 December 2007 accrued interest in the amount of UAH 3,120 thousand and UAH 1,450 thousand, respectively, included in due from banks.

As at 30 June 2008 and 31 December 2007 the Bank had due from twelve and thirteen banks totaling UAH 2,151,668 thousand and UAH 2,390,122 thousand, respectively, which individually exceeded 10% of the Bank's equity.

As at 30 June 2008 and 31 December 2007 the maximum credit risk exposure on due from banks amounted to UAH 3,951,489 thousand and UAH 3,853,007 thousand, respectively.

During the 6 months ended 30 June 2008 and the years ended on 31 December 2007 the Bank simultaneously placed with and received short-term funds from Ukrainian banks in different currencies. As at 30 June 2008 and 31 December 2007, the Bank placed equivalent of UAH 2,003,500 thousand and UAH 2,150,396 thousand, respectively, as deposits with Ukrainian banks, which were received from the same banks (see Note 21).

As at 30 June 2008 and 31 December 2007 included in balances due from banks are guarantee deposits placed by the Bank for its operations with plastic cards in the amount of UAH 51,168 thousand and UAH 39,096 thousand, respectively.

16. LOANS TO CUSTOMERS

Loans to customers comprise:

	30 June 2008	**31 December 2007**
Loans to customers	6,216,343	4,818,256
Loans under reverse repurchase agreements	74,352	80,565
	6,290,695	4,898,821
Less allowance for impairment losses	(252,738)	(192,410)
Total loans to customers	**6,037,957**	**4,706,411**

Movements in allowances for impairment losses for the 6 months ended 30 June 2008 and 31 December 2007 are disclosed in Note 6.

The table below summarizes the amount of loans secured by collateral, rather than the fair value of the collateral itself:

	30 June 2008	31 December 2007
Loans collateralized by pledge of real estate or rights thereon	2,972,391	2,231,258
Loans collateralized by pledge of equipment and other movables	1,142,545	980,435
Loans collateralized by cash or Ukrainian Government guarantees	586,063	633,010
Unsecured loans	569,654	459,856
Loans collateralized by land plots	500,927	264,237
Loans collateralized by pledge of corporate shares	242,189	154,062
Loans collateralized by other assets	227,662	145,073
Loans collateralized by accounts receivable	49,264	30,890
	6,290,695	4,898,821
Less allowance for impairment losses	(252,738)	(192,410)
Total loans to customers	**6,037,957**	**4,706,411**

	30 June 2008	31 December 2007
Analysis by sector:		
Individuals	2,172,121	1,429,665
Trade	1,222,761	783,813
Construction	545,512	450,303
Property operations	474,962	324,907
Manufacturing	472,351	382,090
Finance sector	415,521	304,310
Mining and metallurgy	354,691	374,198
Agriculture and food processing	332,286	388,212
Services	190,131	337,843
Transport and communication	68,853	57,705
Other	41,506	65,775
	6,290,695	4,898,821
Less allowance for impairment losses	(252,738)	(192,410)
Total loans to customers	**6,037,957**	**4,706,411**

Loans to individuals comprise the following products:

	30 June 2008	31 December 2007
Mortgage loans	1,257,964	766,981
Auto loans	340,671	220,275
Other loans secured by real estate	151,961	112,054
Loans secured by other moveable property	105,778	78,740
Loans secured by cash deposits	69,263	70,776
Loans to entrepreneurs	52,209	41,666
Loans without collateral	50,844	33,712
Consumer loans	51,701	43,962
Plastic cards overdrafts	40,720	25,709
Other loans	51,010	35,790
	2,172,121	1,429,665
Less allowance for impairment losses	(39,612)	(28,068)
Total loans to individuals	**2,132,509**	**1,401,597**

As at 30 June 2008 and 31 December 2007 accrued interest income included in loans to customers amounted to UAH 73,253 thousand and UAH 39,280 thousand, respectively.

As at 30 June 2008 and 31 December 2007 the Bank provided loans to five and seven groups of customers, totaling UAH 1,006,296 thousand and UAH 936,758 thousand, respectively, which individually exceeded 10% of the Bank's equity.

As at 30 June 2008 and 31 December 2007 loans to customers included loans in amount of UAH 749,015 thousand and UAH 591,771 thousand, respectively, that were individually determined to be impaired. As at 30 June 2008 and 31 December 2007 such loans were collaterized by collateral with a fair value of UAH 111,492 thousand and UAH 160,885 thousand, respectively.

As at 30 June 2008 and 31 December 2007 the mortgage loans to customers in the amount of UAH 57,436 thousand and UAH 56,256 thousand were pledged under the debt securities issued by the Bank (Note 23).

As at 30 June 2008 and 31 December 2007 three loans to customers in the amount of UAH 382,986 thousand and UAH 58,720 thousand, respectively, were pledged as collateral under deposit received from another bank (Note 21).

As at 30 June 2008 and 31 December 2007 loans to customers included loans to entities of financial sector with the carrying value of UAH 50,109 thousand and nil, respectively which were deposited on customer accounts by insurance companies (Note 22).

As at 30 June 2008 and 31 December 2007 the loans to customers in the amount of UAH 58,200 and nil, respectively, were collateralized by assets pledged by the ultimate beneficial owners of the Bank.

Carrying value of loans under reverse repurchase agreements and fair value of assets pledged as at 30 June 2008 and 31 December 2007 are presented as follows:

	30 June 2008		**31 December 2007**	
	Carrying value of loans	**Fair value of collateral**	**Carrying value of loans**	**Fair value of collateral**
Securities of Ukrainian companies	74,352	74,352	80,565	80,565

17. INVESTMENTS AVAILABLE FOR SALE

Investments available for sale comprise:

	30 June 2008	**31 December 2007**
Debt securities	964,360	567,857
Equity securities	19,396	18,478
	983,756	586,335
Less allowance for impairment losses	(276)	(276)
Total investments available for sale	**983,480**	**586,059**

	Interest %	**30 June 2008**	**Interest %**	**31 December 2007**
Debt investments available				
Bonds of the banks	13.47	320,771	12.50	222,683
Bonds of construction companies	14.90	318,500	25.91	140,528
Bonds of other companies	14.71	325,089	11.40	204,646
Total debt investments available for sale		**964,360**		**567,857**

	Ownership interest	30 June 2008	Ownership interest	31 December 2007
Equity investments available for sale				
“Trest “Kyivmiskbud - 1” im. Zagorodnego JSC	1.00%	15,050	1.00%	15,050
“Ukrainian Interbank Currency Exchange” CJSC	5.00%	1,800	5.00%	1,800
“Ukrainian national paid card LLC	5.42%	1,300	9.29%	1,300
“Enakivskiy metalurgiyniy zavod” LLC	0.03%	949	-	-
Other		297		328
		19,396		18,478
Less allowance for impairment losses		(276)		(276)
Total investments available for sale		**983,480**		**586,059**

Movements in allowances for impairment losses for the 6 months ended 30 June 2008 and 31 December 2007 are disclosed in Note 6.

As at 30 June 2008 and 31 December 2007 accrued coupon interest income on debt investments available for sale amounted to UAH 2,050 thousand and UAH 4,809 thousand, respectively.

As at 30 June 2008 and 31 December 2007 included in debt investments available for sale were bonds of "VANT" LLC, “Zhytlomarket KMB-1” LLC, “Trade house DEKA” LLC, “Ukrainian engineering investment company” LLC, “Fundatsiya Yakisne zhytlo” LLC, issued for the purpose of raising finance for completion of real estate construction in the amount of UAH 318,500 thousand and UAH 140,528 thousand, respectively. The Bank provided financing for construction projects under the effective interest rates of 14.90% and 25.91%, respectively, as at 30 June 2008 and 31 December 2007.

As at 30 June 2008 the loan obtained from the National bank of Ukraine was collateralized by debt securities issued by local authorities with a par value UAH 24,585 thousand (Note 21).

18. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprise:

	Buildings and other real estate	Furniture and equipment	Construction in progress	Total
At initial/revalued cost				
31 December 2006	204,738	100,980	147,001	452,719
Additions	9,337	11,850	210,537	231,724
Revaluation increase	107,237	-	54,717	161,954
Transfers	60,398	44,259	(107,277)	(2,620)
Disposals	-	(3,967)	-	(3,967)
31 December 2007	381,710	153,122	304,978	839,810
Additions	333	20,862	63,673	84,868
Revaluation increase	-	-	-	-
Transfers	104,535	19,659	(124,194)	-
Disposals		(3,098)		(3,098)
Transfers from Investment property	995	-	-	995
Transfers from Intangible assets	-	274	-	274
30 June 2008	487,573	190,819	244,457	922,849
Accumulated depreciation				
31 December 2006	-	44,448	-	44,448
Charge for the year	4,573	20,530	-	25,103
Eliminated on revaluation	(4,573)	-	-	(4,573)
Eliminated on disposals	-	(3,558)	-	(3,558)
31 December 2007	-	61,420	-	61,420
Charge for the year	3,129	19,288	-	22,417
Eliminated on revaluation	-			
Eliminated on disposals	-	(2,242)	-	(2,242)
30 June 2008	3,129	78,466	-	81,595
Net book value:				
30 June 2008	**484,444**	**112,353**	**244,457**	**841,254**
31 December 2007	**381,710**	**91,702**	**304,978**	**778,390**

As at 30 June 2008 and 31 December 2007 included in property, plant and equipment were fully depreciated assets of UAH 15,204 thousands and UAH 15,723 thousands, respectively.

Buildings and construction in progress owned by the Bank were revalued by independent appraisers as of 31 December 2007. The following methods used for estimation fair value of buildings and office premises: income capitalization and sales comparison methods in respect of property and cost approach in respect of equipment. 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 buildings been carried under the cost model, the total carrying amount of property a as at 30 June 2008 and 31 December 2007 would have been recognized in the amount of UAH 202,579 thousand and UAH 130,426 thousand, respectively. Had the construction in progress bee carried under the cost model, their total carrying amount would have been recognized as at 30 June 2008 and 31 December 2007 in the amount of UAH169,711 thousand and UAH 187,869 thousand, respectively.

19. INVESTMENT PROPERTY

	6 Months ended 30 June 2008	Year ended 31 December 2007
At fair value		
At the beginning of the period	17,031	9,241
Transferred to fixed assets	(995)	2,620
Changes in fair value	-	5,170
Net book value	**16,036**	**17,031**

Included in operating lease income is investment property rental income for the 6 months ended 30 June 2008 and 2007 of to UAH 663 thousand and UAH 518 thousand, respectively.

Operating expenses arising from the investment property that generated rental income during the 6 months ended 30 June 2008 and 2007 amounted to UAH 144 thousand and UAH 65 thousand, respectively.

20. OTHER ASSETS

Other assets comprise:

	30 June 2008	31 December 2007
Prepayments for property	46,436	30,392
Prepayment for other assets	10,120	2,919
Prepaid expenses	7,210	1,527
Prepayments and other accounts receivable	6,249	2,241
Other income accrued	5,418	4,580
Intangible assets	3,752	2,528
Advantage for stationery and other materials	2,019	1,319
Other	384	79
	81,588	45,585
Less allowance for impairment losses	(2,405)	(1,631)
Total other assets	**79,183**	**43,954**

Movements in allowances for impairment losses on other assets for the 6 months ended 30 June 2008 and 2007 are disclosed in Note 6.

Intangible assets include software, patents and licenses.

	Intangible assets, total
At cost	
31 December 2006	2,566
Additions	2,017
Transfers	-
Disposals	(2)
31 December 2007	4,581
Additions	1,858
Transfers	(274)
Disposals	-
30 June 2008	6,165
Accumulated amortization	
31 December 2006	1,640
Charge for the year	415
Eliminated on disposals	(2)
31 December 2007	2,053
Charge for the year	360
Eliminated on disposals	-
30 June 2008	2,413
Net book value	
30 June 2008	**3,752**
31 December 2007	**2,528**

21. DUE TO BANKS

Due to banks comprise:

	30 June 2008	**31 December 2007**
Term deposits	3,319,403	2,965,929
Correspondent accounts	344,845	217,100
Loans under repurchase agreements	283,310	95,395
Due to National bank of Ukraine	12,500	-
Total due to banks	**3,960,058**	**3,278,424**

As at 30 June 2008 and 31 December 2007 accrued interest expenses included in due to banks amounted to UAH 2,442 thousand and UAH 866 thousand, respectively.

As at 30 June 2008 and 31 December 2007 loans to banks included loans under reverse repurchase agreements in the amount of UAH 283,310 thousand and UAH 95,395 thousand, secured by bonds of Ukrainian companies with carrying value of UAH 283,310 thousand and UAH 95,395 thousand, which approximates their fair value.

During 6 months 2008 and 2007 the Bank simultaneously placed with and received short-term funds from Ukrainian banks in different currencies (see Note 15).

As at 30 June 2008 and 31 December 2007 the due to banks in the amounts of UAH 1,920,945 thousand (49%) and UAH 1,971,265 thousand (60%), respectively, were due to ten banks, which represents significant concentration.

As at 30 June 2008 and 31 December 2007 three loans to customers in amount UAH 382,986 thousand and UAH 58,720 thousand, respectively, were pledged as collateral under deposit received from another bank (Note 16).

As at 30 June 2008 the loan obtained from the National bank of Ukraine was collaterised by debt securities issued by local authorities with a par value UAH 24,585 thousand (Note 17).

22. CUSTOMER ACCOUNTS

Customer accounts comprise:

	30 June 2008	31 December 2007
Time deposits	5,115,710	3,880,466
Repayable on demand	1,525,783	1,356,873
Total customer accounts	**6,641,493**	**5,237,339**

As at 30 June 2008 and 31 December 2007 accrued interest expenses included in customers accounts amounted to UAH 126,755 thousand and UAH 89,708 thousand, respectively.

As at 30 June 2008 and 31 December 2007 customer accounts amounted to UAH 197,643 thousand and UAH 40,320 thousand, respectively, were held as collateral against guarantees issued.

As at 30 June 2008 and 31 December 2007 customer accounts of UAH 1,395,040 thousand (21%) and UAH 1,411,643 thousand (27%), respectively, were due to twenty customers, which represents significant concentration.

As at 30 June 2008 and 31 December 2007 loans to customers included loans to entities of financial sector with the carrying value of UAH 50,109 thousand and nil, respectively which were deposited on customer accounts by insurance companies (Note 16).

	30 June 2008	31 December 2007
Analysis by sector:		
Individuals	4,203,652	3,124,175
Other services	499,645	448,360
Trade	373,051	356,877
Insurance	345,278	196,676
Manufacturing	296,569	272,352
Transport and communication	263,913	301,167
Construction	243,589	208,281
Agriculture and food processing	137,467	59,933
Mining and metallurgy	137,435	20,755
Finance sector	107,587	169,366
Energy	26,653	31,581
Other	6,654	47,816
Total customer accounts	**6,641,493**	**5,237,339**

23. DEBT SECURITIES ISSUED

Debt securities issued comprise:

	Maturity date month/year	Annual coupon rate %	30 June 2008	31 December 2007
Debt securities (series "C")	30 July 2012	12.00	297,846	248,738
Debt securities (series "A")	14 June 2011	12.75	88,680	94,658
Bonds secured by mortgage loans (series "B")	25 February 2010	10.50	47,485	24,832
Debt securities (series "D")	18 September 2012	13.00	44,301	19,144
Total debt securities issued			**478,312**	**387,372**

As at 30 June 2008 and 31 December 2007 accrued interest expense included in debt securities issued amounted to UAH 8,227 thousand and UAH 7,280 thousand, respectively.

As at 30 June 2008 and 31 December 2007 the mortgage loans to customers in the amount of UAH 57,436 thousand and UAH 56, 256 thousand were pledged under the debt securities issued by the Bank, respectively (Note 16).

24. OTHER BORROWED FUNDS

	Currency	Maturity	Interest rate, %	30 June 2008	31 December 2007
Syndicated loan of Standard Bank London LTD	USD	15 December 2008	LIBOR + 3.25	96,151	99,767
ING Bank	EUR	10 June 2012	EURIBOR + 1.35	21,226	23,416
NLB InterFinanz Praha	USD	26 October 2010	LIBOR+ 4.35	2,692	3,421
Rabobank International	USD	27 June 2013	LIBOR+ 1.6	2,116	-
Atlantic Forfaitierungs AG	USD	3 December 2010	LIBOR+ 4.50	1,894	2,373
Standard Bank London LTD	USD	12 June 2008	LIBOR + 2.70	-	231,244
Cargill Financial Service International Inc	USD	9 June 2008	6.90	-	29,427
Total other borrowed funds				**124,079**	**389,648**

As at 30 June 2008 and 31 December 2007 accrued interest expense is included in other borrowed funds amounting to UAH 232 thousand and UAH 2,048 thousand, respectively.

Interest on loans from Standard Bank London LTD is accrued and capitalized monthly and paid in accordance with the schedule selected by the Bank according to the terms of the facility agreement. Interest on loans from NLB InterFinanz Praha s.r.o., Atlantic Forfaitierungs AG, ING Bank, Rabobank International is accrued and capitalized monthly and paid semi-annually.

As at 30 June 2008 and 31 December 2007 the Bank obtained syndicated loans from Standard Bank London LTD in amount UAH 99,151 thousand and UAH 331,011 thousand, respectively.

The Bank attracted funds from Atlantic Forfaitierungs AG, Rabobank International, NLB InterFinanz Praha, ING Bank and Cargill Financial Service International Inc with the purpose of financing of customers' import contracts. As at 30 June 2008 and 31 December 2007 the loans amounted UAH 27,928 thousand and UAH 58,637 thousand, respectively.

25. OTHER LIABILITIES

Other liabilities comprise:

	30 June 2008	31 December 2007
Provision for unused vacation	18,203	9,195
Accrued salaries	11,557	44
Provision for guarantees and other commitments	11,044	7,097
Current income tax liability	6,300	680
Taxes payable, other than income tax	5,052	409
Deferred income	4,790	2,279
Accounts payable to the Deposit Insurance Fund	3,932	2,706
Accounts payables for purchasing assets	3,227	3,704
Telecommunication services	1,415	812
Rental payments	902	1,266
Dividends payable to shareholders	115	115
Other	2,493	1,387
Total other liabilities	**69,030**	**29,694**

Movements in provision for guarantees and other commitments for the 6 months ended 30 June 2008 and 2007 are disclosed in Note 6.

26. SUBORDINATED DEBT

	Currency	Maturity date year	Interest rate %	30 June 2008	31 December 2007
Subordinated debt provided by "Investenergo" LLC	UAH	30 August 2011	12	**50,492**	**50,510**

As at 30 June 2008 and 31 December 2007 accrued interest expense included in subordinated debt amounted to UAH 492 thousand and UAH 510 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.

27. SHARE CAPITAL AND SHARE PREMIUM

As of 30 June 2008 the Bank's share capital comprised the following number of shares of UAH 1 each:

	Authorized share capital Share'000	Unpaid share capital	Repurchased share capital	Total share capital Share'000
Ordinary shares	599,523	-	-	599,523
Preference shares	477	-	-	477

As of 31 December 2007 the Bank's share capital comprised the following number of shares of UAH 1 each:

	Authorized share capital Share'000	Unpaid share capital	Repurchased share capital	Total share capital Share'000
Ordinary shares	499,523	-	-	499,523
Preference shares	477	-	-	477

The below table provides a reconciliation of the number of shares outstanding for the 6 months ended 30 June 2008 and for the years ended 31 December 2007:

	Ordinary shares Share'000	Preference shares Share'000
31 December 2006	299,523	477
Issue of shares	200,000	-
31 December 2007	499,523	477
Issue of shares	100,000	-
30 June 2008	**599,523**	**477**

All ordinary shares have equal voting, dividend and capital repayment rights. All shares have a nominal value of UAH 1.

As at 30 June 2008 and 31 December 2007 share premium comprised UAH 120,015 thousand and UAH 69,404 thousand, respectively.

The Bank's distributable among shareholders reserves are limited to the amount of its reserves as disclosed in its statutory accounts.

28. 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 consolidated balance sheet.

The Bank's maximum exposure to credit loss under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The Bank's uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

Provision for losses on contingent liabilities amounted to UAH 11,044 thousand and UAH 7,097 thousand as at 30 June 2008 and 31 December 2007, respectively.

As at 30 June 2008 and 31 December 2007 the nominal or contract amounts were:

	30 June 2008		31 December 2007	
	Nominal amount	**Risk weighted amount**	**Nominal amount**	**Risk weighted amount**
Contingent liabilities and credit commitments				
Guarantees issued and similar commitments	153,756	79,518	183,510	143,190
Letters of credit and other transaction related contingent obligations	122,971	61,486	97,052	48,526
Commitments on loans and unused credit lines:	1,191,538	-	1,189,140	53,673
- non-cancellable with maturity of over 1 year	19,148	9,574	107,346	53,673
- non-cancellable with maturity less than 1 year and cancellable	1,169,686	-	1,079,018	-
Loan commitments to banks and unused credit lines	2,704	-	2,776	-
Total contingent liabilities and credit commitments	**1,468,265**	**150,578**	**1,469,702**	**245,389**

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

	30 June 2008	**31 December 2007**
Not later than 1 year	3,734	3,830
Later than 1 year and not later than 5 years	8,786	4,873
Later than 5 years	2,185	2,611
Total operating lease commitments	**14,705**	**11,314**

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 30 June 2008 and 31 December 2007 the maximum potential financial risk on securities accepted by the Bank on behalf of its clients does not exceed UAH 17,032 thousand and UAH 17,032 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 interim financial statements.

The Bank is receiving claims from individual customers with respect to certain commissions withheld by the Bank for loan agreements service. The NBU issued an instruction requiring banks to disclose effective interest rates on loans granted to individuals. Management is of the opinion that such claims would not have adverse consequences for the Bank, and is in the process of establishing procedures on disclosing additional information in loan agreements in compliance with the NBU instruction.

Taxation – 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 interim 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 Ukraine. In March 2003 the Bank arranged supplementary defined contribution pension scheme for employees with the "Narodniy pension fund "Ukraine" LLC (which was renamed later to "Administrator of pension funds "Ukraine-service" LLC). The Bank paid UAH 4,885 thousand and UAH 2,371 thousand for the 6 months' 2008 and 2007, 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.

29. SUBSEQUENT EVENTS

After balance she date the Bank obtained additional syndicated loan from Standard Bank London LTD in amount USD 23,000 thousand for one year.

30. 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 then 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 30 June 2008 and 31 December 2007 with related parties:

	30 June 2008		31 December 2007	
	Related party balances	**Total category as per financial statements caption**	**Related party balances**	**Total category as per financial statements caption**
Loans to customers	14,897	6,290,695	4,588	4,898,821
- shareholders	-		-	
- key management personnel of the Bank	1,594		1,945	
- other related parties	13,303		2,643	
Allowance for impairment losses	(661)	(252,738)	(152)	(192,410)
- shareholders	-		-	
- key management personnel of the Bank	(2)		(21)	
- other related parties	(659)		(131)	
Customer accounts	16,786	6,641,493	20,509	5,237,339
- shareholders	86		79	
- key management personnel of the Bank	9,582		1,738	
- other related parties	7,118		18,692	
Investments available for sale	3,100		31,357	586,059
- shareholders	-		-	
- key management personnel of the Bank	-		-	
- other related parties	3,100		31,357	
Guarantees given	2,958	153,756	2,702	183,510
- shareholders	-		-	
- key management personnel of the Bank	2,594		2,323	
- other related parties	364		379	
Loan commitments	4,282	1,191,538	6,914	1,189,140
- shareholders	-			
- key management personnel of the Bank	13		458	
- other related parties	4,269		6,456	
Other liabilities	883	69,030	33	29,694
- shareholders	-		-	
- key management personnel of the Bank	65		2	
- other related parties	818		31	
Subordinated debt	50,492	50,492	50,510	50,510
- shareholders	50,492		50,510	

	30 June 2008		31 December 2007	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Key management personnel compensation:	3,322	162,876	3,782	161,166
- short-term employee benefits	2,964	157,991	3,413	155,941
- post-employment benefits	358	4,885	369	5,225

Included in the consolidated income statement for the 6 months ended 30 June 2008 and 2007 are the following amounts which arose due to transactions with related parties:

	6 months ended 30 June 2008		**6 months ended 30 June 2007**	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Interest income	1,065	706,157	1,708	316,787
- shareholders	-		651	
- key management personnel of the Bank	115		233	
- other related parties	950		824	
Interest expense	(828)	(459,205)	(1,184)	(183,505)
- shareholders	-		(100)	
- key management personnel of the Bank	(207)		(565)	
- other related parties	(621)		(519)	
Interest income on investments available for sale	2,022	56,848	10,892	54,172
Provision for impairment losses on loans to customers	(126)	(60,356)	(551)	(35,947)
- shareholders	-		(462)	
- key management personnel of the Bank	(15)		43	
- other related parties	(111)		(132)	
Operating expenses	6,011	(266,383)	2,980	(122,100)
Key management personnel compensation:	3,322	162,876	1,063	64,571
- short-term employee benefits	2,964	157,991	942	62,200
- post-employment benefits	358	4,885	121	2,371

31. SEGMENT REPORTING

The Bank's primary format for reporting segment information is business segments and the secondary format is geographical segments.

Business segments

The Bank is organized on the basis of three main business segments:

- Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.
- Corporate banking – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products.
- Investment activity – representing financial instruments trading, letting out of investment property, structured financing, corporate leasing, and merger and acquisitions advice.

Transactions between the business segments are on normal commercial terms and conditions. Funds are ordinarily reallocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on the Bank's cost of capital. There are no other material items of income or expense between the business segments. Internal charges and transfer pricing adjustments have been reflected in the performance of each business. Revenue sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis.

Segment information about these businesses is presented below.

	Retail banking	Corporate banking	Investment activity	Unallocated	30 June 2008/ 6 months ended 30 June 2008 Total
Interest income	132,084	517,225	56,848	-	706,157
Interest expense	(194,779)	(235,706)	(25,736)	(2,984)	(459,205)
Provisions of provision for impairment losses on interest bearing assets	(21,932)	(38,424)	-	-	(60,356)
Net gain on foreign exchange operations	-	109,330	-	-	109,330
Net gain on precious metals operations	-	-	-	(5,102)	(5,102)
Fee and commission income	28,770	46,037	1,416	-	76,223
Fee and commission expense	-	(10,320)	(10)	(544)	(10,874)
Net gain on sale of investments available for sale	-	-	15,158	-	15,158
Income from investment property	-	-	663	-	663
Other income	-	-	-	1,947	1,947
External operating income/(expenses)	(55,857)	388,142	48,339	(6,683)	373,941
Income/(expense) from other segments	107,506	(137,255)	(28,068)	57,817	-
Total operating income	**51,649**	**250,887**	**20,271**	**51,134**	**373,941**
Operating expenses	(134,061)	(112,351)	(7,131)	(12,840)	(266,383)
Provision for impairment losses on other transactions	-	-	-	(4,721)	(4,721)
Profit before income tax	**(82,412)**	**138,536**	**13,140**	**33,573**	**102,837**
Income tax expense	-	-	-	(28,050)	(28,050)
Net profit	**(82,412)**	**138,536**	**13,140**	**5,523**	**74,787**
Segment assets	**2,545,868**	**8,281,314**	**1,007,790**	**837,619**	**12,672,591**
Segment liabilities	**4,203,652**	**6,314,384**	**478,313**	**487,884**	**11,484,233**
Other segment items					
Depreciation charge on property, plant and equipment	11,897	9,888	632	-	22,417
Capital expenditure	45,040	37,433	2,395	-	84,868
Loans to customers	1,974,320	4,063,637	-	-	6,037,957
Property, plant and equipment	446,453	371,054	23,747	-	841,254
Customer accounts	4,203,652	2,437,841	-	-	6,641,493

	Retail banking	Corporate banking	Investment activity	Unallocated	31 December 2007/ 6 months ended 30 June 2007 Total
Interest income	52,608	209,917	54,262	-	316,787
Interest expense	(105,783)	(67,869)	(6,955)	(2,898)	(183,505)
Initial fair value recognition adjustment on interest bearing assets	-	(1,345)	-	-	(1,345)
Provisions of provision for impairment losses on interest bearing assets	(7,384)	(28,563)	-	-	(35,947)
Net gain on foreign exchange operations	-	13,230	-	-	13,230
Net gain on precious metals operations	-	-	-	867	867
Fee and commission income	11,864	26,855	772	-	39,491
Fee and commission expense	-	(7,333)	-	-	(7,333)
Net gain on sale of investments available for sale	-	-	9,369	-	9,369
Income from investment property	-	518	3,037	-	3,555
Other income	-	-	-	1,529	1,529
External operating income/(expense)	(48,695)	145,410	60,485	(502)	156,698
Income/(expense) from other segments	67,588	(63,244)	(31,127)	26,783	-
Total operating income	**18,893**	**82,166**	**29,358**	**26,281**	**156,698**
Operating expenses	(68,113)	(39,216)	(9,388)	(5,383)	(122,100)
Provision for impairment losses on other transactions	-	-	-	(760)	(760)
Profit before income tax	**(49,220)**	**42,950**	**19,970**	**20,138**	**33,838**
Income tax expense	-	-	-	(13,595)	(13,595)
Net profit	**(49,220)**	**42,950**	**19,970**	**6,543**	**20,243**
Segment assets	**1,800,076**	**7,508,698**	**636,412**	**533,277**	**10,478,463**
Segment liabilities	**3,124,175**	**5,668,585**	**387,372**	**335,454**	**9,515,586**
Other segment items					
Depreciation charge on property, plant and equipment	6,681	3,163	809	435	11,088
Capital expenditure	39,320	24,466	6,259	4,485	74,530
Loans to customers	1,372,400	3,334,011	-	-	4,706,411
Property, plant and equipment	417,311	313,724	47,355	-	778,390
Customer accounts	3,124,175	2,113,164	-	-	5,237,339

Geographical segments

Segment information for the main geographical segments of the Bank is set out below as at 30 June 2008 and 31 December 2007 and for the years then ended.

	Ukraine	OECD countries	Other non-OECD countries	30 June 2008/ 6 months ended 30 June 2008 Total
Interest income	704,885	1,246	26	706,157
Interest expense	(444,422)	(14,783)	-	(459,205)
Initial fair value recognition adjustment on interest bearing assets	(60,356)	-	-	(60,356)
Net gain on foreign exchange operations	109,330	-	-	109,330
Net gain on precious metals operations	(5,102)	-	-	(5,102)
Fee and commission income	76,223	-	-	76,223
Fee and commission expense	(9,410)	(1,462)	(2)	(10,874)
Net gain on sale of investments available for sale	15,158	-	-	15,158
Income on investment property	663	-	-	663
Other income	1,947	-	-	1,947
External operating income/(expense)	388,916	(14,999)	24	373,941
Cash and balances with National bank of Ukraine	698,982	-	-	698,982
Precious metals	64,210	-	-	64,210
Loans and advances to banks	3,841,452	103,037	7,000	3,951,489
Loans to customers	6,037,957	-	-	6,037,957
Investments available for sale	983,480	-	-	983,480
Property, plant and equipment	841,254	-	-	841,254
Investment property	16,036	-	-	16,036
Other assets	79,183	-	-	79,183
Capital expenditure	84,868	-	-	84,868

	Ukraine	OECD countries	Other non-OECD countries	31 December 2007/ 6 months ended 30 June 2007 Total
Interest income	316,479	308	-	316,787
Interest expense	(180,050)	(3,455)	-	(183,505)
Initial fair value recognition adjustment on interest bearing assets	(1,345)	-	-	(1,345)
Provisions for impairment losses on interest bearing assets	(35,947)	-	-	(35,947)
Net gain on foreign exchange operations	13,230	-	-	13,230
Net gain on precious metals operations	867	-	-	867
Fee and commission income	39,491	-	-	39,491
Fee and commission expense	(5,321)	(2,008)	(4)	(7,333)
Net gain on sale of investments available for sale	9,369	-	-	9,369
Income on investment property	3,555	-	-	3,555
Other income	1,529	-	-	1,529
External operating income/(expense)	161,857	(5,155)	(4)	156,698
Cash and balances with National bank of Ukraine	467,081	-	-	467,081
Precious metals	24,722	-	-	24,722
Financial assets at fair value through profit or loss	1,808	-	-	1,808
Loans and advances to banks	3,771,532	77,661	3,814	3,853,007
Loans to customers	4,706,411	-	-	4,706,411
Investments available for sale	586,059	-	-	586,059
Property, plant and equipment	778,390	-	-	778,390
Investment property	17,031	-	-	17,031
Other assets	43,954	-	-	43,954
Capital expenditure	74,530	-	-	74,530

External operating income, assets, capital expenditure have been allocated based on domicile of the counterparty. Tangible assets (cash on hand, precious metals, premises and equipment) have been allocated based on the country in which they are physically held.

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value disclosures of financial instruments are made in accordance with the requirements of IFRS 7 “Financial Instruments: Disclosures” 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 consolidated balance sheet of the Bank is presented below:

	30 June 2008		31 December 2007	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Cash and balances with the National bank of Ukraine	698,982	698,982	467,081	467,081
Financial assets at fair value through profit or loss	-	-	1,808	1,808
Due from banks	3,951,489	3,951,489	3,853,007	3,853,007
Loans to customers	6,037,957	6,037,957	4,706,411	4,706,411
Investments available for sale	983,480	983,480	586,059	586,059
Due to banks	3,960,058	3,960,058	3,278,424	3,278,424
Customer accounts	6,641,493	6,641,493	5,327,339	5,327,339
Debt securities issued	478,312	478,312	387,372	387,372
Other borrowed funds	124,079	124,079	29,694	29,694
Subordinated debt	50,492	50,492	50,510	50,510

33. 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 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
50%	Obligations and commitments on unused loans with the initial maturity of over 1 year
100%	Loans to customers
100%	Guaranties issued
100%	Other assets

As at 30 June 2008 the Bank’s total capital amount for Capital Adequacy purposes was UAH 1,218,359 thousand and tier 1 capital amount was UAH 917,832 thousand with ratios of 14% and 11%, respectively.

As at 31 December 2007 the Bank’s total capital amount for Capital Adequacy purposes was UAH 992,877 thousand and tier 1 capital amount was UAH 692,433 thousand with ratios of 15% and 10%, respectively.

As at 30 June 2008 and 31 December 2007 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.

34. CAPITAL MANAGEMENT

The Bank manages its capital to ensure that the Bank will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Bank consists of debt, which includes subordinated debt disclosed in Note 26, and equity attributable to equity holders of the Bank, comprising issued capital, reserves and retained earnings as disclosed in statement of changes in equity.

The Board reviews the capital structure on a semi-annual basis. As a part of this review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Board, the Bank balances its overall capital structure through, new share issues as well as the issue of new debt or the redemption of existing debt.

The Bank's overall capital risk management policy remains unchanged from 2007.

35. 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 Bank admits that it is important to have effective and efficient risk management processes. For this purpose, the Bank has established the main risk management guidelines aimed at protecting the Bank against substantial risks and thereby enabling it to reach the target indicators. The Bank has developed a system for forming and implementing policies regarding the level of banking risk assumed. The Bank has ensured that the following banking risk is managed: credit risk, liquidity risk, market risk (currency risk, interest rate risk), operational risk.

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.

The main credit risk management functions rest with the Bank's Credit Committee acting within its authority established by the Supervisory Board. The major credit risk management instrument in the Bank is limiting system that includes three types of limits: individual credit risk limits, portfolio credit risk limits, and authority limits. As a part of measurement of credit risks related to investment activities the Bank measures and analyze its investment applications on corporate bonds similarly to analyzing loan applications. The Bank monitors financial positions of issuers and their related companies, recoverability of loans, and analyzes their reputation, availability of market risks for those securities. In the event of purchase of shares, the Bank analyzes the issuer's financial position and the shares liquidity (quotations available, restrictions imposed on the securities by other banks and companies), and market risks. The Bank has created an asset quality committee which monitors, on an ongoing basis, the Bank's divisions' loan portfolios.

Off-balance sheet loan commitments represent unused credit lines, guarantees or letters of credit. Credit risk on financial instruments accounted for on off-balance sheet accounts are defined as probable losses resulting from a borrower's inability to comply with the contractual terms and conditions. With regard to the credit risk related to the off-balance sheet financial instruments, the Bank potentially sustains a loss equal to the total amount unused credit lines. However, the probable amount of loss is lower than the total amount unused liabilities, since, in most cases, loan commitments are dependent on whether the clients meet the special solvency standards. The Bank uses the same credit policies for contingent liabilities as it does for the financial instruments accounted for on the balance sheet based on the procedures for loan extension approval, that is: the use of limits that limit risk and current monitoring.

Financial assets are graded according to the current credit rating they have been issued by an internationally and Ukrainian rating agency. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB. Financial assets which have ratings lower than BBB are classed as speculative grade.

The following table details the credit ratings of financial assets held by the Bank:

	AAA – A	BBB – B	<B	Not rated	30 June 2008 Total
Due from banks	562,812	2,612,892	-	775,785	3,951,489
Loans to customers	-	202,295	-	5,835,662	6,037,957
Investments available foe sale	45,221	535,622	159,624	243,013	983,480

	AAA – A	BBB – B	<B	Not rated	31 December 2007 Total
Financial assets at fair value through profit or loss	-	-	-	1,808	1,808
Due from banks	1,062,915	2,066,908	-	723,184	3,853,007
Loans to customers	-	-	-	4,706,411	4,706,411
Investments available for sale	18,980	154,422	-	412,657	586,059

The banking industry is generally exposed to credit risk through its financial assets and contingent liabilities. Credit risk exposure of the Bank is concentrated within Ukraine. The exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Bank's risk management policy are not breached.

Geographical concentration

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

	Ukraine	OECD countries	Other non-OECD countries	30 June 2008 Total
ASSETS				
Cash and balances with the National bank of Ukraine	698,982	-	-	698,982
Precious metals	64,210			64,210
Financial assets at fair value through profit or loss	-	-	-	-
Due from banks	3,841,452	103,037	7,000	3,951,489
Loans to customers	6,037,957			6,037,957
Investments available for sale	983,480			983,480
Property, plant and equipment	841,254			841,254
Investment property	16,036			16,036
Other assets	79,183			79,183
TOTAL ASSETS	**12,562,554**	**103,037**	**7,000**	**12,672,591**
LIABILITIES				
Due to banks	3,960,058	-	-	3,960,058
Customer accounts	6,641,493	-	-	6,641,493
Debt securities issued	478,312	-	-	478,312
Other borrowed funds	-	124,079	-	124,079
Deferred income tax liabilities	160,769	-	-	160,769
Other liabilities	69,030	-	-	69,030
Subordinated debt	50,492	-	-	50,492
TOTAL LIABILITIES	**11,360,154**	**124,079**	**-**	**11,484,233**
NET POSITION	**1,202,400**	**(21,042)**	**7,000**	

	Ukraine	OECD countries	Non-OECD countries	31 December 2007 Total
ASSETS				
Cash and balances with the National bank of Ukraine	467,081	-	-	467,081
Precious metals	24,722	-	-	24,722
Financial assets at fair value through profit or loss	1,808	-	-	1,808
Due from banks	3,771,532	77,661	3,814	3,853,007
Loans to customers	4,706,411	-	-	4,706,411
Investments available for sale	586,059	-	-	586,059
Property, plant and equipment	778,390	-	-	778,390
Investment property	17,031	-	-	17,031
Other assets	43,954	-	-	43,954
TOTAL ASSETS	**10,396,988**	**77,661**	**3,814**	**10,478,463**
LIABILITIES				
Due to banks	3,278,424	-	-	3,278,424
Customer accounts	5,237,339	-	-	5,237,339
Debt securities issued	387,372	-	-	387,372
Other borrowed funds	-	389,648	-	389,648
Deferred income tax liabilities	142,599	-	-	142,599
Other liabilities	29,694	-	-	29,694
Subordinated debt	50,510	-	-	50,510
TOTAL LIABILITIES	**9,125,938**	**389,648**	**-**	**9,515,586**
NET POSITION	**1,271,050**	**(311,987)**	**3,814**	

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 Assets and Liabilities Management Committee (the “ALMC”) controls the Bank’s liquidity risk. The primary task of the Committee is making management decisions on optimizing assets and liabilities structure, liquidity ratio, minimizing banking risks in the Bank’s operations.

The Bank applies liquidity management policies to ensure the optimal assets and liabilities structure in terms of liquidity gap management, and ensure its optimization in order to attain the required profitability level. Managing liquidity risk is an ongoing process. Current liquidity exposure is managed by the Treasury Department on a daily basis.

The Bank manages its liquidity risk by applying the following instruments:

- managing liquidity by maintaining a certain volume of highly liquid assets.
- establishing target ratios for liquidity risk indicators.
- restricting the potential cash deficit by setting internal bank limits on short monetary position.
- managing the availability of sufficient funds on money markets.
- applying parameters for funding active transactions.

The following table presents analysis of liquidity risk by balance sheet transactions.

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

	Weighted average effective interest rate, %	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	30 June 2008 Total
ASSETS								
Due from banks	11	2,447,264	860,323	451,873	-	-	-	3,759,460
Loans to customers	17	324,591	421,473	2,419,600	1,444,795	1,427,498	-	6,037,957
Investments available for sale	13	565,675	1,443	2,025	322,760	72,456	-	964,359
Total interest bearing assets		3,337,530	1,283,239	2,873,498	1,767,555	1,499,954	-	10,761,776
Cash and balances with the National bank of Ukraine		564,806	-	-	-	-	134,176	698,982
Precious metals		64,210	-	-	-	-	-	64,210
Due from banks		192,029	-	-	-	-	-	192,029
Investments available for sale		949	-	-	-	-	18,172	19,121
Property, plant and equipment		-	-	-	-	-	841,254	841,254
Investment property		-	-	-	-	-	16,036	16,036
Other assets		45,262	16,812	9,019	4,306	32	3,752	79,183
TOTAL ASSETS		**4,204,786**	**1,300,051**	**2,882,517**	**1,771,861**	**1,499,986**	**1,013,390**	**12,672,591**
LIABILITIES								
Due to banks	8	2,965,639	667,914	164,213	21,231	-	-	3,818,997
Other borrowed funds	6	-	-	96,151	27,928	-	-	124,079
Customer accounts	11	668,723	535,805	2,294,199	1,960,589	131	-	5,459,447
Debt securities issued	12	88,680	50,168	-	339,464	-	-	478,312
Subordinated debt	12	492	-	-	50,000	-	-	50,492
Total interest bearing liabilities		3,723,534	1,253,887	2,554,563	2,399,212	131	-	9,931,327
Due to banks		141,061	-	-	-	-	-	141,061
Customer accounts		1,182,046	-	-	-	-	-	1,182,046
Deferred income tax liabilities		-	-	-	-	-	160,769	160,769
Other liabilities		52,824	794	5,705	43	82	9,582	69,030
TOTAL LIABILITIES		**5,099,465**	**1,254,681**	**2,560,268**	**2,399,255**	**213**	**170,351**	**11,484,233**
Liquidity gap		(894,679)	45,370	322,249	(627,394)	1,499,773		
Interest sensitivity gap		(386,004)	29,352	318,935	(631,657)	1,499,823		
Cumulative interest sensitivity gap		**(386,004)**	**(356,652)**	**(37,717)**	**(669,374)**	**830,449**		
Cumulative interest sensitivity gap as a percentage of total assets		**(3%)**	**(3%)**	**0%**	**(5%)**	**7%**		

	Weighted average effective interest rate, %	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 2007 Total
ASSETS								
Financial assets at fair value through profit or loss	8	1,808	-	-	-	-	-	1,808
Due from banks	6	1,619,519	1,318,691	863,879	2,476	-	-	3,804,565
Loans to customers	16	200,326	791,035	1,812,789	1,068,727	833,534	-	4,706,411
Investments available for sale	16	125,332	249,645	-	192,607	-	-	567,584
Total interest bearing assets		1,946,985	2,359,371	2,676,668	1,263,810	833,534	-	9,080,368
Cash and balances with the National bank of Ukraine		361,656	-	-	-	-	105,425	467,081
Precious metals		24,722	-	-	-	-	-	24,722
Due from banks		48,442	-	-	-	-	-	48,442
Investments available for sale		-	-	-	-	-	18,475	18,475
Property, plant and equipment		-	-	-	-	-	778,390	778,390
Investment property		-	-	-	-	-	17,031	17,031
Other assets		4,246	36,084	1,096	-	-	2,528	43,954
TOTAL ASSETS		**2,386,051**	**2,395,455**	**2,677,764**	**1,263,810**	**833,534**	**921,849**	**10,478,463**
LIABILITIES								
Due to banks	6	1,281,144	1,286,128	641,029	3,125	-	-	3,211,426
Other borrowed funds	6	27,491	13,849	320,187	28,121	-	-	389,648
Customer accounts	12	338,734	577,529	1,449,500	1,556,436	35	-	3,922,234
Debt securities issued	11	4,236	3,485	114,321	265,330	-	-	387,372
Subordinated debt	12	510	-	-	50,000	-	-	50,510
Total interest bearing liabilities		1,652,115	1,880,991	2,525,037	1,903,012	35	-	7,961,190
Due to banks		66,998	-	-	-	-	-	66,998
Customer accounts		1,315,105	-	-	-	-	-	1,315,105
Deferred income tax liabilities		-	-	-	-	-	142,599	142,599
Other liabilities		20,202	1,031	1,170	300	1	6,990	29,694
TOTAL LIABILITIES		**3,054,420**	**1,882,022**	**2,526,207**	**1,903,312**	**36**	**149,589**	**9,515,586**
Liquidity gap		(668,369)	513,433	151,557	(639,502)	833,498		
Interest sensitivity gap		294,870	478,380	151,631	(639,202)	833,499		
Cumulative interest sensitivity gap		**294,870**	**773,250**	**924,881**	**285,679**	**1,179,178**		
Cumulative interest sensitivity gap as a percentage of total assets		**3%**	**7%**	**9%**	**3%**	**11%**		

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 change in market interest rates.

The following table presented liquidity risk analysis calculated for undiscounted cash flows of financial commitments and interest rate risk:

(i) The remaining contractual maturity of non-derivative financial liabilities based on the undiscounted cash flows of liabilities (both interest and principal cash flows) based on the earliest date on which the Bank can be required to pay,

	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	30 June 2008 Total
LIABILITIES							
Due to banks	2,980,462	683,555	179,168	25,309	-	-	3,868,494
Customer accounts	753,627	626,752	2,652,056	2,576,439	258	-	6,609,132
Debt securities issued	88,698	54,674	29,639	348,398	-	-	521,409
Subordinated debt	500	1,000	4,500	62,000	-	-	68,000
Total interest bearing liabilities at fixed rates	3,823,287	1,365,981	2,865,363	3,012,146	258	-	11,067,035
Customer accounts	34	68	305	5,385	-	-	5,792
Other borrowed funds	633	1,266	101,846	32,943	-	-	136,688
Total interest bearing liabilities at floating rates	667	1,334	102,151	38,328	-	-	142,480
Total interest bearing liabilities	3,823,954	1,367,315	2,967,514	3,050,474	258	-	11,209,515
Due to banks	141,061	-	-	-	-	-	141,061
Customer accounts	1,182,046	-	-	-	-	-	1,182,046
Deferred income tax liabilities	-	-	-	-	-	160,769	160,769
Other liabilities	52,824	794	5,705	43	82	9,582	69,030
Total non-interest bearing liabilities	1,375,931	794	5,705	43	82	170,351	1,552,906
Guarantees issued and similar commitments	27,855	4,029	87,441	34,248	183	-	153,756
Commitments on loans and unused credit lines	78,763	54,744	928,640	129,291	123,071	-	1,314,509
TOTAL LIABILITIES	**5,306,503**	**1,426,882**	**3,989,300**	**3,214,056**	**123,594**	**170,351**	**14,230,686**

	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2007 Total
LIABILITIES							
Due to banks	1,349,751	1,298,378	677,647	5,311	-	-	3,331,087
Customer accounts	1,652,034	585,900	1,574,351	1,905,350	62	-	5,717,697
Debt securities issued	4,236	8,473	143,780	292,453	-	-	448,942
Other borrowed funds	27,402	19,584	22,233	-	-	-	69,219
Subordinated debt	500	1,500	4,500	68,000	-	-	74,500
Total interest bearing liabilities at fixed rates	3,033,923	1,913,835	2,422,511	2,271,114	62	-	9,641,445
Other borrowed funds	89	540	342,469	29,393	-	-	372,491
Total interest bearing liabilities at floating rates	89	540	342,469	29,393	-	-	372,491
Total interest bearing liabilities	3,034,012	1,914,375	2,764,980	2,300,507	62	-	10,013,936
Due to banks	66,998	-	-	-	-	-	66,998
Customer accounts	1,315,105	-	-	-	-	-	1,315,105
Deferred income tax liabilities	-	-	-	-	-	142,599	142,599
Other liabilities	20,202	1,031	1,170	300	1	6,990	29,694
Total non-interest bearing liabilities	1,402,305	1,031	1,170	300	1	149,589	1,554,396
Guarantees issued and similar commitments	33,245	4,809	104,362	40,875	219	-	183,510
Commitments on loans and unused credit lines	40,788	175,060	837,309	174,697	45,181	13,156	1,286,192
TOTAL LIABILITIES	**4,510,350**	**2,095,275**	**3,707,821**	**2,516,379**	**45,463**	**162,745**	**13,038,033**

Market risk

Market risk covers interest rate risk, currency risk and other pricing risks to which the Bank is exposed. In managing market risk the Bank uses such an instrument for measurement of current potential losses on treasury positions as VAR (Value at Risk). Calculation of maximum forecast level of daily expenses on monetary position revaluation with the level of 99%, where VAR = 2,32σ quantile of standardized normal distribution covering the range of values of random variable with probability of 99%.

Market risk management instruments:

- placing limits on the amount of a certain purchase or sale agreement providing the latter is entered into on the terms and conditions stipulating the result of it is dependent on market prices fluctuations;
- placing limits on the total amount of monetary position;
- placing limits on the aggregate size of investment portfolio;
- calculating Stop Loss limit based on availability of free own funds;
- measuring volatility of quotations;
- calculating limits for securities investments based on the determined Stop Loss and the range of securities' quotations fluctuation;
- extraordinary review of limits in the event of rapid change in market situation or substantial decrease in the Bank's resource base;
- providing against potential losses.

The Bank is exposed to interest rate risks as entities in the Bank borrow funds at both fixed and floating rates. The risk is managed by the Bank maintaining an appropriate mix between fixed and floating rate borrowings.

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.

Interest rate risk

Interest rate risk management policies contain definition of the Bank's balance sheet sensitivity to change in interest rates on the financial resources market. The sensitivity of the Bank's balance sheet to change in interest rates is determined by determining potential losses or income by offsetting the Bank's interest-bearing assets and liabilities taking into consideration changes in interest rates on the financial resources market.

Interest rate risk is managed by applying the following instruments:

- monitoring the shape of the Bank's profitability curve and measuring its conformity with the current market level in terms of timing and certain currencies;
- monitoring and controlling the Bank's divisions compliance with the limits as to setting interest rates for mobilizing and placing funds by different currencies;
- analyzing whether the Bank, on the whole, is in compliance with the minimum interest spread established by business plan and whether the Bank submits its proposals to the ALMC as to making management decisions on overall adjustment of the Bank's profitability curve;
- monitoring how the volumes of transactions and weighted profitability (value) by the Bank's major interest-bearing assets and liabilities affect the Bank's compliance with the interest spread.

The following table presents a sensitivity analysis of interest rate risk, which has been determined based on "reasonably possible changes in the risk variable". The level of these changes is determined by management and is contained within the risk reports provided to key management personnel.

Impact on profit before tax:

	As at 30 June 2008		**As at 30 June 2007**	
	Interest rate +1%	**Interest rate -1%**	**Interest rate +1%**	**Interest rate -1%**
Liabilities:				
Other borrowed funds	1,241	(1,241)	3,305	(3,305)
Net impact on profit before tax	**1,241**	**(1,241)**	**3,305**	**(3,305)**

Impact on shareholders equity:

	As at 30 June 2008		**As at 31 December 2007**	
	Interest rate +1%	**Interest rate -1%**	**Interest rate +1%**	**Interest rate -1%**
Liabilities:				
Other borrowed funds	1,241	(1,241)	3,896	(3,896)
Net impact on shareholders equity	**1,241**	**(1,241)**	**3,896**	**(3,896)**

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 Bank manages its currency risk based on the selected currency risk management strategy, which includes the following:

- centralized currency risk management;
- applying all possible measures to avoid the risk, which leads to substantial losses;
- controlling and minimizing losses if the risk cannot be avoided;
- hedging currency risk unless the risk can be avoided.

The main currency risk management instrument for the Bank is setting limits. The Bank applies this instrument by placing limits on:

- total open monetary position for the Bank as a whole in terms of divisions and operations;
- the amount of potential losses from change in foreign exchange rates;
- treasury transactions (arbitration conversion transactions, non-trading treasury foreign exchange transactions in cash);
- stop - loss – limits – limitation of possible losses.

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

	UAH	**USD** USD 1 = UAH 4.8489	**EUR** EUR 1 = UAH 7.627805	**Other currency**	**Precious metals**	**30 June 2008 Total**
ASSETS						
Cash and balances with the National bank of Ukraine	408,056	117,105	168,612	5,209	-	698,982
Precious metals	-	-	-	-	64,210	64,210
Due from banks	1,848,573	1,930,338	158,483	9,772	4,323	3,951,489
Loans to customers	3,843,474	2,042,276	151,181	-	1,026	6,037,957
Investments available for sale	983,480	-	-	-	-	983,480
Property, plant and equipment	841,254	-	-	-	-	841,254
Investment property	16,036	-	-	-	-	16,036
Other assets	71,370	6,613	1,058	142	-	79,183
TOTAL ASSETS	**8,012,243**	**4,096,332**	**479,334**	**15,123**	**69,559**	**12,672,591**
LIABILITIES						
Due to banks	1,852,803	1,347,011	753,022	-	7,222	3,960,058
Customer accounts	4,368,741	1,503,036	723,638	1,973	44,105	6,641,493
Debt securities issued	478,312	-	-	-	-	478,312
Other borrowed funds	-	102,853	21,226	-	-	124,079
Deferred income tax liabilities	160,769	-	-	-	-	160,769
Other liabilities	52,842	11,887	3,379	919	3	69,030
Subordinated debt	50,492	-	-	-	-	50,492
TOTAL LIABILITIES	**6,963,959**	**2,964,787**	**1,501,265**	**2,892**	**51,330**	**11,484,233**
OPEN BALANCE SHEET POSITION	**1,048,284**	**1,131,545**	**(1,021,931)**	**12,231**	**18,229**	

Spot contracts

Fair value of spot contracts are included in the currency analysis presented above and the following table presents further analysis of currency risk on derivative financial instruments and spot contracts:

	UAH	USD USD 1 = UAH 4.8489	EUR EUR 1 = UAH 7.627805	Other currency	Precious metals	30 June 2008 Total
Accounts receivable on spot and derivative contracts	-	1,506,244	1,164,866	1,290,650	61,236	4,022,996
Accounts payable on spot and derivative contracts	-	2,513,336	132,495	1,296,167	84,389	4,026,387
Net spot and derivative financial instruments position	**-**	**(1,007,092)**	**1,032,371**	**(5,517)**	**(23,153)**	
TOTAL OPEN POSITION	**1,048,284**	**124,453**	**10,440**	**6,714**	**(4,924)**	

	UAH	USD USD 1 = UAH 5.05	EUR EUR 1 = UAH 7.41946	Other currency	Precious metals	31 December 2007 Total
ASSETS						
Cash and balances with the National bank of Ukraine	363,342	71,828	29,752	2,159	-	467,081
Precious metals	-	-	-	-	24,722	24,722
Financial assets at fair value through profit or loss	1,808	-	-	-	-	1,808
Due from banks	2,170,268	1,646,376	27,902	3,487	4,974	3,853,007
Loans to customers	3,118,647	1,422,110	164,667	3	984	4,706,411
Investments available for sale	586,059	-	-	-	-	586,059
Property, plant and equipment	778,390	-	-	-	-	778,390
Investment property	17,031	-	-	-	-	17,031
Other assets	40,546	1,480	1,928	-	-	43,954
TOTAL ASSETS	**7,076,091**	**3,141,794**	**224,249**	**5,649**	**30,680**	**10,478,463**
LIABILITIES						
Due to banks	2,035,847	1,110,438	132,139	-	-	3,278,424
Customer accounts	3,447,945	1,429,277	342,557	1,322	16,238	5,237,339
Debt securities issued	387,372	-	-	-	-	387,372
Other borrowed funds	-	366,232	23,416	-	-	389,648
Deferred income tax liabilities	142,599	-	-	-	-	142,599
Other liabilities	20,440	7,226	1,618	410	-	29,694
Subordinated debt	50,510	-	-	-	-	50,510
TOTAL LIABILITIES	**6,084,713**	**2,913,173**	**499,730**	**1,732**	**16,238**	**9,515,586**
OPEN BALANCE SHEET POSITION	**991,378**	**228,621**	**(275,481)**	**3,917**	**14,442**	

Spot contracts

Fair value of spot contracts are included in the currency analysis presented above and the following table presents further analysis of currency risk on derivative financial instruments and spot contracts:

	UAH	USD USD 1 = UAH 5.05	EUR EUR 1 = UAH 7.41946	Other currency	Precious metals	31 December 2007 Total
Accounts receivable on spot and derivative contracts	-	54,000	258,197	5,048	21,144	333,341
Accounts payable on spot and derivative contracts	-	283,900	6,612	5,048	42,288	332,800
Net spot and derivative financial instruments position	**-**	**(229,900)**	**251,586**	**-**	**(21,144)**	
TOTAL OPEN POSITION	**991,378**	**(1,279)**	**(23,895)**	**3,917**	**(6,702)**	

Currency risk sensitivity

The following table details the Bank's Sensitivity to a 10% increase and decrease in the USD against the UAH. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Bank where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

	As at 30 June 2008		**As at 31 December 2007**		**As at 30 June 2007**	
	UAH/USD +6%	**UAH/USD -6%**	**UAH/USD +8%**	**UAH/USD -3%**	**UAH/USD +8%**	**UAH/USD -8%**
Impact on profit or loss	7,427	(7,427)	-	-	**9,416**	**(9,416)**
Impact on equity	7,427	(7,427)	(106)	106	-	-

	As at 30 June 2008		**As at 31 December 2007**		**As at 30 June 2007**	
	UAH/EURO +14%	**UAH/EURO -14%**	**UAH/EURO +2%**	**UAH/EURO -24%**	**UAH/EURO +14%**	**UAH/EURO -14%**
Impact on profit or loss	1,447	(1,447)	-	-	**(6,879)**	**6,879**
Impact on equity	1,447	(1,447)	478	(5,735)	-	-

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Bank's assets and liabilities are actively managed. Additionally, the financial position of the Bank may vary at the time that any actual market movement occurs. For example, the Bank's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the balance sheet. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in shareholder equity.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Bank's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.