

UKRSIBBANK

**Condensed Consolidated Interim Financial
Information and Review Report**

30 June 2007

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REVIEW REPORT

To the Shareholders and Board of Directors of JSCIB Ukrsibbank

Introduction

- 1 We have reviewed the accompanying condensed consolidated interim balance sheet of JSCIB Ukrsibbank and its subsidiaries (the "Bank", as defined in Note 1 to the condensed consolidated interim financial information) as at 30 June 2007 and the related condensed consolidated interim statements of income, changes in equity and cash flows for the six month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

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

Conclusion

- 3 Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Kyiv, Ukraine
22 October 2007

UKRSIBBANK
Condensed Consolidated Interim Balance Sheet

	Note	30 June 2007 (unaudited)	31 December 2006
<i>In thousands of Ukrainian hryvnias</i>			
ASSETS			
Cash and cash equivalents and mandatory reserves	12	1,278,810	1,639,159
Trading securities		225,902	499,105
Due from other banks	7	446,123	334,993
Loans and advances to customers	8	23,354,412	18,060,520
Investment securities available-for-sale		268,192	165,881
Current income tax prepayment		1,055	279
Intangible assets		51,844	54,516
Premises, leasehold improvements and equipment		1,179,729	1,122,665
Deferred income tax asset		9,288	9,065
Other assets		161,391	132,221
Non-current assets classified as held for sale	19	110,449	-
TOTAL ASSETS		27,087,195	22,018,404
LIABILITIES			
Due to other banks	9	8,315,269	6,710,969
Customer accounts		7,852,825	6,548,192
Due to the National Bank of Ukraine		-	198,000
Domestic debt securities in issue		1,660,050	1,352,420
Eurobonds issued		3,174,487	3,689,405
Other borrowed funds	13	1,676,490	433,062
Subordinated debt		883,286	729,096
Current income tax liability		12,931	9,098
Deferred income tax liability		75,469	51,367
Other liabilities		294,340	300,440
Liabilities directly associated with non-current assets classified as held for sale	19	163,169	-
TOTAL LIABILITIES		24,108,316	20,022,049
EQUITY			
Share capital	10	3,068,684	2,693,684
Contributions to share capital paid but not registered	10	450,000	-
Share premium		5,620	5,377
Additional capital		43,159	6,974
Revaluation reserve for investment securities available-for-sale		2,495	1,061
Currency translation reserve		873	518
Accumulated deficit		(597,246)	(711,259)
Net assets attributable to the Company's equity holders		2,973,585	1,996,355
Minority interest		5,294	-
TOTAL EQUITY		2,978,879	1,996,355
TOTAL LIABILITIES AND EQUITY		27,087,195	22,018,404

Approved for issue and signed on behalf of the Board of Directors on 22 October 2007.

Oleksandr Adarich
Chairman of the Board

Ganna Samarina
Head of Finance

The notes set out on pages 5 to 35 form an integral part of this condensed consolidated interim financial information.

UKRSIBBANK
Condensed Consolidated Interim Income Statement

<i>In thousands of Ukrainian hryvnias</i>	For the six months ended 30 June	
	Note	2007 (unaudited) 2006 (unaudited)
Interest income		1,363,647 686,858
Interest expense		(764,031) (429,765)
Net interest income		599,616 257,093
Provision for loan impairment	7, 8	(144,866) (60,248)
Net interest income after provision for loan impairment		454,750 196,845
Gains less losses/(losses net of gains) from trading securities		11,639 (9,218)
Gains less losses from disposal of investment securities available-for-sale		6,480 6,295
Impairment of investment securities available-for-sale		(1,138) (4,475)
Losses on initial recognition of investment securities available-for-sale		- (17,970)
Gains less losses from trading in foreign currencies		94,717 11,728
Foreign exchange translation (losses less gains)/gains less losses		(22,619) 33,531
Fee and commission income		209,006 113,649
Fee and commission expense		(16,475) (14,529)
(Provision for)/reversal of provision for losses on credit related commitments		(378) 2,209
Insurance premiums written		88,431 45,292
Insurance premiums ceded to reinsurers		(5,153) (7,134)
Net claims incurred		(48,369) (15,598)
Other operating income		5,358 8,925
Administrative and other operating expenses		(595,669) (326,997)
Profit before tax		180,580 22,555
Income tax expense		(63,159) (6,505)
Profit for the period		117,421 16,050
Profit is attributable to		
Equity holders of the Company		114,013 16,126
Minority interest		3,408 (76)
Profit for the period		117,421 16,050
Earnings per share for profit attributable to the equity holders of the Company, basic and diluted (expressed in UAH per share)	11	0.0027 0.0009

The notes set out on pages 5 to 35 form an integral part of this condensed consolidated interim financial information.

UKRSIBBANK
Condensed Consolidated Interim Statement of Changes in Equity

	Attributable to equity holders of the Company							Total	Minority interest	Total equity
	Share capital	Contributions to share capital paid but not registered	Share premium	Additional capital	Revaluation reserve for investment securities available-for-sale	Currency translation reserve	Accumulated deficit			
<i>In thousands of Ukrainian hryvnias</i>										
Balance at 31 December 2005	1,693,684	-	2,060	6,974	4,591	(2,236)	(755,351)	949,722	3,277	952,999
Available-for-sale investments:										
- Disposal of investment	-	-	-	-	(6,295)	-	-	(6,295)	-	(6,295)
- Fair value gains less losses	-	-	-	-	458	-	-	458	-	458
Currency translation differences	-	-	-	-	-	2,310	-	2,310	18	2,328
Income tax recorded in equity	-	-	-	-	1,459	-	-	1,459	-	1,459
Net loss recognised directly in equity	-	-	-	-	(4,378)	2,310	-	(2,068)	18	(2,050)
Profit for the 6 months ended 30 June 2006 (unaudited)	-	-	-	-	-	-	16,126	16,126	(76)	16,050
Total recognised income for the 6 months ended 30 June 2006	-	-	-	-	(4,378)	2,310	16,126	14,058	(58)	14,000
Contributions to share capital paid but not registered	-	500,000	3,401	-	-	-	-	503,401	-	503,401
Balance at 30 June 2006 (unaudited)	1,693,684	500,000	5,461	6,974	213	74	(739,225)	1,467,181	3,219	1,470,400
Available-for-sale investments:										
- Disposal of investment	-	-	-	-	(16,461)	-	-	(16,461)	-	(16,461)
- Fair value gains less losses	-	-	-	-	17,591	-	-	17,591	-	17,591
Currency translation differences	-	-	-	-	-	444	-	444	10	454
Income tax recorded in equity	-	-	-	-	(282)	-	-	(282)	-	(282)
Net income recognised directly in equity	-	-	-	-	848	444	-	1,292	10	1,302
Profit for the 6 months ended 31 December 2006 (unaudited)	-	-	-	-	-	-	27,966	27,966	(3,437)	24,529
Total recognised income for the 6 months ended 31 December 2006	-	-	-	-	848	444	27,966	29,258	(3,427)	25,831
Change in share of ownership of subsidiaries	-	-	-	-	-	-	-	-	208	208
Registration of share issue previously paid	500,000	(500,000)	-	-	-	-	-	-	-	-
Share issue	500,000	-	(84)	-	-	-	-	499,916	-	499,916
Balance at 31 December 2006	2,693,684	-	5,377	6,974	1,061	518	(711,259)	1,996,355	-	1,996,355
Available-for-sale investments:										
- Disposal	-	-	-	-	(6,480)	-	-	(6,480)	-	(6,480)
- Fair value gains less losses	-	-	-	-	8,392	-	-	8,392	-	8,392
Currency translation differences	-	-	-	-	-	355	-	355	-	355
Income tax recorded in equity	-	-	-	-	(478)	-	-	(478)	-	(478)
Net income recognised directly in equity	-	-	-	-	1,434	355	-	1,789	-	1,789
Profit for the 6 months ended 30 June 2007 (unaudited)	-	-	-	-	-	-	114,013	114,013	3,408	117,421
Total recognised income for the 6 months ended 30 June 2007	-	-	-	-	1,434	355	114,013	115,802	3,408	119,210
Share issue (Note 10)	375,000	450,000	243	-	-	-	-	825,243	-	825,243
Change in share of ownership in subsidiaries	-	-	-	-	-	-	-	-	1,886	1,886
Additional contribution from shareholders (Note 16)	-	-	-	36,185	-	-	-	36,185	-	36,185
Balance at 30 June 2007 (unaudited)	3,068,684	450,000	5,620	43,159	2,495	873	(597,246)	2,973,585	5,294	2,978,879

The notes set out on pages 5 to 35 form an integral part of this condensed consolidated interim financial information.

UKRSIBBANK
Condensed Consolidated Interim Cash Flow Statement

<i>In thousands of Ukrainian hryvnias</i>	Note	For the six months ended 30 June	
		2007 (unaudited)	2006 (unaudited)
Cash flows from operating activities			
Interest received on loans and placements		1,275,389	647,280
Interest received on securities		31,713	36,085
Interest paid		(630,814)	(423,859)
Income received from trading in trading securities		3,527	1,016
Income received from trading in foreign currencies		94,717	11,728
Fees and commissions received		209,006	113,649
Fees and commissions paid		(16,475)	(14,529)
Insurance income received, net of reinsurance		86,580	51,073
Insurance claims paid, net of reinsurance		(37,645)	(14,806)
Other operating income received		5,358	8,925
Staff costs paid		(301,195)	(157,200)
Administrative and other operating expenses paid		(218,733)	(124,406)
Income tax paid		(37,992)	(8,551)
Cash flows from operating activities before changes in operating assets and liabilities		463,436	126,405
Changes in operating assets and liabilities			
Net (increase)/decrease in mandatory reserve balances		(2,558)	10,754
Net decrease in trading securities		271,351	98,081
Net increase in due from other banks		(169,140)	(279,026)
Net increase in loans and advances to customers		(5,374,917)	(2,956,192)
Net increase in other assets		(78,736)	(18,496)
Net increase in due to other banks		1,498,661	1,244,119
Net increase in customer accounts		1,280,670	1,259,335
Net (decrease)/increase in due to the NBU		(198,000)	81,443
Net (decrease)/increase in short-term domestic debt securities in issue		(39)	47
Net increase in other liabilities		126,109	13,005
Net cash used in operating activities		(2,183,163)	(420,525)
Cash flows from investing activities			
Acquisition of investment securities available-for-sale		(432,663)	(154,553)
Proceeds from disposal of investment securities available-for-sale		320,698	146,888
Proceeds from redemption of investment securities held to maturity		-	13,861
Acquisition of premises, leasehold improvements, equipment and intangible assets		(91,150)	(146,858)
Proceeds from disposal of premises and equipment		1,592	6,798
Cash paid on acquisition of minority		(129)	(16,807)
Net cash used in investing activities		(201,652)	(150,671)
Cash flows from financing activities			
Issue of long-term domestic debt securities		300,026	12,392
Redemption of long-term domestic debt securities		(1,611)	-
Redemption of Eurobonds		(505,000)	-
Proceeds from other borrowed funds		1,252,352	191,363
Repayment of other borrowed funds		(17,621)	(224,265)
Issue of subordinated debt		151,500	202,000
Issue of ordinary shares	10	825,243	503,401
Additional contribution from shareholders		36,185	-
Net cash from financing activities		2,041,074	684,891
Effect of exchange rate changes on cash and cash equivalents		(18,665)	39,290
Net (decrease)/increase in cash and cash equivalents		(362,406)	152,985
Cash and cash equivalents at the beginning of the period		1,456,098	614,498
Cash and cash equivalents at the end of the period	12	1,093,692	767,483

The notes set out on pages 5 to 35 form an integral part of this condensed consolidated interim financial information.

1 Corporate Information

This condensed consolidated interim financial information including the selected explanatory notes has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" for the six months ended 30 June 2007 for JSCIB "UKRSIBBANK" ("UkrSibbank" or the "Company") and its subsidiaries and special purpose entities (together referred to as the "Bank").

UkrSibbank was incorporated and is domiciled in Ukraine. UkrSibbank is a joint stock company limited by shares and was set up in accordance with Ukrainian regulations.

Principal activity. UkrSibbank operates under a banking license issued by the National Bank of Ukraine (the "NBU"). UkrSibbank's principal business activity is commercial and retail banking operations within Ukraine. UkrSibbank was formed in 1990 as Commercial Innovation Bank Kharkovincomebank and registered by Gosbank of USSR. In 1991 UkrSibbank was reorganised as an open-type joint-stock company and registered by the NBU. In 1992 it was renamed as UKRSIBBANK.

As at 30 June 2007 the parent company and ultimate controlling party of the Bank was BNP Paribas SA (France) (31 December 2006: BNP Paribas SA (France)).

As at 30 June 2007 UkrSibbank has 4 branches and 992 outlets in Ukraine (31 December 2006: 12 branches and 992 outlets). Additionally, UkrSibbank has a subsidiary bank in Russia. A list of consolidated subsidiaries and special purpose entities is disclosed in Note 17.

Registered address and place of business. UkrSibbank's registered office is located at the following address:

60 Moskovsky Ave.
61005, Kharkiv
Ukraine.

UkrSibbank's principal place of business is located at the following address:

2/12 Andreyevskaya Str.
Kyiv
Ukraine.

Presentation currency. This interim condensed consolidated financial information is presented in thousands of Ukrainian hryvnias ("UAH thousands").

This condensed consolidated interim financial information was approved for issue on 22 October 2007.

2 Operating Environment of the Bank

Whilst there have been improvements in economic trends in the country, Ukraine continues to display certain characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible outside of Ukraine, restrictive currency controls, and relatively high inflation. The tax, currency and customs legislation within Ukraine is subject to varying interpretations and changes, which can occur frequently.

The future economic direction of Ukraine is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

The banking sector in Ukraine is particularly sensitive to adverse fluctuations in confidence and economic conditions. Furthermore, the need for further developments in the anti-money laundering legislation, bankruptcy laws, formalised procedures for the registration and enforcement of collateral, and other legal and fiscal impediments contribute to the difficulties experienced by banks currently operating in Ukraine.

In addition, economic conditions continue to limit the volume of activity in the financial markets. Market quotations in generally illiquid markets may not be reflective of the values for financial instruments, which would be determined in an efficient, active market involving many willing buyers and willing sellers.

3 Basis of Preparation and Significant Accounting Policies

Basis of Preparation. This condensed consolidated interim financial information has been prepared in accordance with IAS 34, "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the Bank's annual consolidated financial statements as at 31 December 2006.

The Bank operates in an industry where significant seasonal or cyclical variations in operating income are not experienced during the financial year.

The accounting policies and methods of computation adopted in the preparation of the condensed consolidated interim financial information are consistent with those followed in the preparation of the Bank's annual consolidated financial statements for the year ended 31 December 2006, except for adoption of the new standards and interpretations as described in Note 5.

Consolidated financial statements. Subsidiaries are those companies and other entities (including special purpose entities) in which the Bank, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies so as to obtain benefits. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Bank controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Bank (acquisition date) and are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The date of exchange is the acquisition date where a business combination is achieved in a single transaction, and is the date of each share purchase where a business combination is achieved in stages by successive share purchases.

The excess of the cost of acquisition over the acquirer's share of the fair value of the net assets of the acquiree at each exchange transaction is recorded as goodwill. The excess of the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired over cost ("negative goodwill") is recognised immediately in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any minority interest. The difference, if any, between the fair values of the net assets at the dates of exchange and at the date of acquisition is recorded directly in equity.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Bank's policies.

Minority interest is that part of the net results and of the net assets of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Company. Minority interest forms a separate component of the Bank's equity.

Purchases and sales of minority interests. The Bank applies the parent company model to account for transactions with minority shareholders. Any difference between the purchase consideration and the carrying amount of minority interest acquired is recognised as goodwill. The difference between sales consideration and carrying amount of minority interest sold is recognised as a gain in the consolidated income statement.

Key measurement terms. Depending on their classification financial instruments are carried at fair value, cost, or amortised cost as described below.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value is the current bid price for financial assets and current asking price for financial liabilities which are quoted in an active market. For assets and liabilities with offsetting market risks, the Bank may use mid-market prices as a basis for establishing fair values for the offsetting risk positions and apply the bid or asking price to the net open position as appropriate. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm's length basis.

In other than active markets, the most recent arms length transactions are the basis of current fair values. Recent transaction prices are appropriately adjusted if they do not reflect current fair values, for example because the transaction was a distress sale. Fair value is not the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale.

3 Basis of Preparation and Significant Accounting Policies (Continued)

Valuation techniques such as discounted cash flows models or models based on recent arm's length transactions and consideration of financial data of the investees are used to fair value certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in this condensed consolidated interim financial information if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes *transaction costs*. Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination if any), are not presented separately and are included in the carrying values of related balance sheet items.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (refer to income and expense recognition policy).

Initial recognition of financial instruments. Trading securities and derivatives are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date that the Bank commits to deliver a financial asset. All other purchases and sales are recognised on the settlement date with the change in value between the commitment date and settlement date not recognised for assets carried at cost or amortised cost; recognised in profit or loss for trading securities, derivatives and other financial assets at fair value through profit or loss; and recognised in equity for assets classified as available-for-sale.

Cash and cash equivalents. Cash and cash equivalents are items which can be converted into cash at short notice (within 1 or 2 days) and which are subject to insignificant risk of changes in value. All short term interbank placements, other than overnight placements, are included in due from other banks. Amounts, which relate to funds that are of a restricted nature, are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

Mandatory reserve balances. Mandatory reserve balances are carried at amortised cost and represent non-interest bearing mandatory reserve assets which are not available to finance the Bank's day to day operations and hence are not considered as part of cash and cash equivalents for the purposes of the consolidated cash flow statement.

Trading securities. Trading securities are securities, which are either acquired for generating a profit from short-term fluctuations in price or trader's margin, or are securities included in a portfolio in which a pattern of short-term trading exists. The Bank classifies securities into trading securities if it has an intention to sell them within a short period after purchase, i.e. within 3 months. Trading securities are not reclassified out of this category even when the Bank's intentions subsequently change.

Trading securities are carried at fair value. Interest earned on trading debt securities calculated using the effective interest method is presented in the consolidated income statement as interest income. All other elements of the changes in the fair value and gains or losses on derecognition are recorded in profit or loss as gains less losses from trading securities in the period in which they arise.

3 Basis of Preparation and Significant Accounting Policies (Continued)

Due from other banks. Amounts due from other banks are recorded when the Bank advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are carried at amortised cost.

Loans and advances to customers. Loans and advances to customers are recorded when the Bank advances money to purchase or originate an unquoted non-derivative receivable from a customer due on fixed or determinable dates and has no intention of trading the receivable. Loans and advances to customers are carried at amortised cost.

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss when incurred as a result of one or more events (“loss events”) that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Bank determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. The primary factors that the Bank considers whether a financial asset is impaired is its overdue status and realisability of related collateral, if any. The following other principal criteria are also used to determine that there is objective evidence that an impairment loss has occurred:

- any instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the borrower experiences a significant financial difficulty as evidenced by borrower’s financial information that the bank obtains;
- the borrower considers bankruptcy or a financial reorganisation;
- there is adverse change in the payment status of the borrower as a result of changes in the national or local economic conditions that impact the borrower;
- the value of collateral significantly decreases as a result of deteriorating market conditions.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors’ ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and the experience of management in respect of the extent to which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods and to remove the effects of past conditions that do not exist currently.

Impairment losses are recognised through an allowance account to write down the asset’s carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

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 recognised (such as an improvement in the debtor’s credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined.

Credit related commitments. In the normal course of business, the Bank enters into credit related commitments, including commitments to extend credit, underwriting commitments, letters of credit, guarantees and promissory note endorsements. Financial guarantees represent irrevocable assurances to make payments in the event that a customer cannot meet its obligations to third parties and carry the same credit risk as loans. Financial guarantees and commitments to provide a loan are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At each balance sheet date, the commitments are measured at the higher of (i) the unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at the balance sheet date.

3 Basis of Preparation and Significant Accounting Policies (Continued)

Investment securities available-for-sale. This classification includes investment securities which the Bank intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. The Bank classifies investments as available-for-sale at the time of purchase.

Investment securities available-for-sale are carried at fair value. Interest income on available-for-sale debt securities is calculated using the effective interest method and recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Bank's right to receive payment is established and inflow of cash is probable. All other elements of changes in the fair value are deferred in equity until the investment is derecognised or impaired, at which time the cumulative gain or loss is removed from equity to profit or loss.

Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of investment securities available-for-sale. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through current period's profit or loss.

Sale and repurchase agreements and lending of securities. Sale and repurchase agreements ("repo agreements") which effectively provide a lender's return to the counterparty are treated as secured financing transactions. Securities sold under sale and repurchase agreements are not derecognised. The securities are not reclassified in the balance sheet unless the transferee has the right by contract or custom to sell or repledge the securities, in which case they are reclassified as repurchase receivables. The corresponding liability is presented within amounts due to other banks or customer accounts.

Securities purchased under agreements to resell ("reverse repo agreements") which effectively provide a lender's return to the Bank are recorded as due from other banks or loans and advances to customers, as appropriate. The difference between the sale and repurchase price is treated as interest income and accrued over the life of repo agreements using the effective interest method.

Securities lent to counterparties for a fixed fee are retained in the consolidated financial statements in their original balance sheet category unless the counterparty has the right by contract or custom to sell or repledge the securities, in which case they are reclassified and presented separately. Securities borrowed for a fixed fee are not recorded in the consolidated financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded in profit or loss within gains less losses arising from trading securities. The obligation to return the securities is recorded at fair value in due to other banks of customer accounts.

Investment securities held to maturity. This classification includes quoted non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank has both the intention and ability to hold to maturity. Management determines the classification of investment securities held to maturity at their initial recognition and reassesses the appropriateness of that classification at each balance sheet date. Investment securities held to maturity are carried at amortised cost.

Promissory notes purchased. Promissory notes purchased are included in trading securities, investment securities available-for-sale or in loans and advances to customers, depending on their substance and are recorded, subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

Derecognition of financial assets. The Bank derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Bank has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Goodwill. Goodwill represents the excess of the cost of an acquisition over the fair value of the acquirer's share of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary at the date of exchange. Goodwill is carried at cost less accumulated impairment losses, if any.

The Bank tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or group of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or group of units represent the lowest level at which the Bank monitors goodwill and are not larger than a segment. Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the operation disposed of, generally measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit which is retained.

3 Basis of Preparation and Significant Accounting Policies (Continued)

Premises, leasehold improvements and equipment. Premises, leasehold improvements and equipment are stated at cost, restated to the equivalent purchasing power of the Ukrainian hryvnia at 31 December 2000 for assets acquired prior to 1 January 2001, less accumulated depreciation and provision for impairment, where required. Cost of premises, leasehold improvements and equipment of acquired subsidiaries is the fair value at the date of acquisition.

Construction in progress is carried at cost, less provision for impairment where required. Upon completion, assets are transferred to premises and leasehold improvements, at their carrying amount. Construction in progress is not depreciated until the asset is available for use.

Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of premises and equipment items are capitalised and the replaced part is retired.

If impaired, premises, leasehold improvements and equipment are written down to the higher of their value in use and fair value less costs to sell. The decrease in carrying amount is charged to profit or loss. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss.

Depreciation. Depreciation of premises, leasehold improvements and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Premises	30 years
Office and computer equipment	5-15 years
Motor vehicles	5 years
Leasehold improvements	Over the term of the underlying lease

The residual value of an asset is the estimated amount that the Bank would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Bank expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Intangible assets. All of the Bank's intangible assets have definite useful life and primarily include capitalised computer software.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with identifiable and unique software controlled by the Bank are recorded as intangible assets if inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software is amortised on a straight line basis over expected useful lives of 3 years.

Operating leases. Where the Bank is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Bank, the total lease payments are charged to profit or loss on a straight-line basis over the period of the lease.

Finance leases. Where the Bank is a lessor in a lease which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as a finance lease receivable and carried at the present value of the future lease payments. Finance lease receivables are initially recognised at commencement (when the lease term begins) using a discount rate determined at inception (the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease).

The difference between the gross receivable and the present value represents unearned finance income. This income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. Finance income from leases is recorded within interest income in the consolidated income statement.

Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of finance lease receivables. Impairment losses are recognised through an allowance account to write down the receivables' net carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the interest rates implicit in the finance leases. The estimated future cash flows reflect the cash flows that may result from obtaining and selling the assets subject to the lease.

3 Basis of Preparation and Significant Accounting Policies (Continued)

Where the Bank is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Bank, the assets leased are capitalised in premises, leasehold improvements and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are included in other liabilities. The interest cost is charged to the income statement over the lease period using the effective interest method. The assets acquired under finance leases are depreciated over their useful life or the shorter lease term if the Bank is not reasonably certain that it will obtain ownership by the end of the lease term.

Non-current assets classified as held for sale. Non-current assets and disposal groups (which may include both non-current and current assets) are classified in the balance sheet as 'Non-current assets held for sale' if their carrying amount will be recovered principally through a sale transaction within twelve months after the balance sheet date. Both financial and non-financial assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Bank's Management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for a sale at a reasonable price; (d) the sale is expected within one year and (d) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn. Non-current assets or disposal groups classified as held for sale in the current period's balance sheet are not reclassified or re-presented in the comparative balance sheet to reflect the classification at the end of the current period.

A disposal group are assets (current or non-current) to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Goodwill is included if the disposal group includes an operation within a cash-generating unit to which goodwill has been allocated on acquisition. Non-current assets are assets that include amounts expected to be recovered or collected more than twelve months after the balance sheet date. If reclassification is required, both the current and non-current portions of an asset are reclassified.

Held for sale premises and equipment, intangible assets, or disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs to sell. Held for sale premises, equipment and intangible assets are not depreciated or amortised. Reclassified non-current financial instruments and deferred taxes are not subject to the write down to the lower of their carrying amount and fair value less costs to sell.

Liabilities directly associated with disposal group that will be transferred in the disposal transaction are reclassified and presented separately in the balance sheet.

Due to other banks. Amounts due to other banks are recorded when money or other assets are advanced to the Bank by counterparty banks. The non-derivative liability is carried at amortised cost. If the Bank purchases its own debt, it is removed from the consolidated balance sheet and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from retirement of debt.

Customer accounts. Customer accounts are non-derivative liabilities to individuals, state or corporate customers and are carried at amortised cost.

Domestic debt securities in issue. Domestic debt securities in issue include bonds, promissory notes and certificates of deposit issued by the Bank. Domestic debt securities are stated at amortised cost. If the Bank purchases its own debt securities in issue, they are removed from the consolidated balance sheet and the difference between the carrying amount of the liability and the consideration paid is included in gains arising from retirement of debt.

Eurobonds issued. Eurobonds issued include debt issued by the Bank in the form of loan participation notes. Eurobonds issued are stated at amortised cost. If the Bank purchases its Eurobonds issued, they are removed from the consolidated balance sheet and the difference between the carrying amount of the liability and the consideration paid is included in gains arising from retirement of debt.

Other borrowed funds. Other borrowed funds include trade financing received from non-banking financial institutions and Government institutions. Other borrowed funds are carried at amortised cost.

Subordinated debt. Subordinated debt represents long-term borrowing agreements that, in case of the Bank's default, would be secondary to the Bank's primary debt obligations. Subordinated debt is carried at amortised cost.

3 Basis of Preparation and Significant Accounting Policies (Continued)

Insurance reserves. Insurance reserves include provision for unearned premiums, outstanding claims provision, provision for losses incurred but not yet reported and unexpired risk provision. Provision for unearned premiums represents the proportion of premiums written in the year that relate to unexpired terms of policies in force as at the balance sheet date, calculated on a time apportionment basis. Outstanding claims provision is recorded in respect of claims reported, but not settled as at the balance sheet date. The estimation is made on the basis of information received by the Bank during investigation of insurance cases before or after the balance sheet date. Provision for losses incurred but not yet reported is actuarially determined and includes assumptions based on prior years' claims and claims handling experience. Outstanding claims provision and provision for losses incurred but not yet reported represent the accumulation of estimates for ultimate losses and are estimated on an undiscounted basis due to the relatively quick pattern of claims notification and payment. The methods of determining such estimates and establishing the resulting provisions are continually reviewed and updated. Resulting adjustments are reflected in the consolidated income statement as they arise. Unexpired risk provision is recognised when unearned premiums are insufficient to meet claims and expenses, which may be incurred after the end of the financial year. To estimate the unexpired risk provision the Bank uses historical experience and forward looking assumptions of ultimate loss ratios (including claims handling expenses) and the level of in-force portfolio maintenance expenses. The expected claims are calculated having regard to events that have occurred prior to the balance sheet date.

Reinsurance. The Bank cedes insurance in the normal course of business. Ceded insurance contracts do not relieve the Bank from its obligations to policyholders. Reinsurance assets include balances due from reinsurance companies for paid claims, including claims handling expenses. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policy.

Derivative financial instruments. Derivative financial instruments, including foreign exchange contracts, are carried at their fair value.

All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss as gains less losses arising from trading in foreign currency and gains less losses arising from trading securities depending on the related contracts. The Bank does not apply hedge accounting.

Income taxes. Income taxes have been provided for in the consolidated financial information in accordance with legislation enacted or substantively enacted by the balance sheet date. The income tax charge comprises current tax and deferred tax and is recognised in the consolidated income statement except if it is recognised directly in equity because it relates to transactions that are also recognised, in the same or a different period, directly in equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes, other than on income, are recorded within administrative and other operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the balance sheet date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the consolidated group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred income tax is not provided on post acquisition retained earnings of subsidiaries, as the Bank controls the subsidiary's dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

Income tax expense is recognised in each interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year. Amounts accrued for income tax expense in one interim period may have to be adjusted in a subsequent interim period of that financial year if the estimate of the annual income tax rate changes. Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate is applied to the pre-tax income of the interim period. Average annual effective income tax rate is estimated separately for each individual consolidated company and separately applied to the interim period pre-tax profit of each individual consolidated company.

3 Basis of Preparation and Significant Accounting Policies (Continued)

Uncertain tax positions. The Bank's uncertain tax positions are reassessed by management at every balance sheet date. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the balance sheet date and any known Court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the balance sheet date.

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Trade and other payables. Trade payables are accrued when the counterparty performed its obligations under the contract and are carried at amortised cost.

Share premium. Share premium represents the excess of contributions over the nominal value of the shares issued.

Additional capital. Additional capital represents contributions from equity participants that do not give rise to changes in the ownership of the Bank.

Dividends. Dividends are recorded in equity in the period in which they are declared. Dividends declared after the balance sheet date and before the financial statements are authorised for issue are disclosed in the subsequent events note. The statutory accounting reports of the Company are the basis for profit distribution and other appropriations. Ukrainian legislation identifies the basis of distribution as retained earnings.

Income and expense recognition. Interest income and expense are recorded in the consolidated income statement for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Bank to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Bank does not designate loan commitments as financial liabilities at fair value through profit or loss.

When loans and other debt instruments become doubtful of collection, they are written down to present value of expected cash inflows and interest income is thereafter recorded for the unwinding of the present value discount based on the asset's effective interest rate which was used to measure the impairment loss.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Loan syndication fees are recognised as income when the syndication has been completed and the Bank retained no part of the loan package for itself or retained a part at the same effective interest rate for the other participants.

Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, which are earned on execution of the underlying transaction are recorded on its completion. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportion basis. Asset management fees related to investment funds are recorded rateably over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

Acquisition costs of insurance contracts. Acquisition costs, representing commissions, salaries and certain other underwriting expenses, which vary with and are incurred in connection with the acquisition or renewal of insurance policies, are expensed as incurred.

Insurance income. Upon inception of a contract, premiums are recorded as written and a corresponding provision for unearned premiums is recorded. This provision is released to income as premiums are earned on a pro-rata basis over the term of the related policy coverage.

3 Basis of Preparation and Significant Accounting Policies (Continued)

Claims paid. Claims and claims handling expenses are charged to the consolidated income statement when funds are transferred to the claimants. In addition, provisions are created through profit or loss for outstanding claims and claims incurred but not reported. Refer to the insurance reserves policy.

Foreign currency translation. The functional currency of each of the consolidated entities is the currency of the primary economic environment in which the entity operates. The Company's functional currency and the Bank's presentation currency is the national currency of Ukraine, Ukrainian hryvnias ("UAH").

Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate at the respective balance sheet dates. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates are recognised in profit or loss. Translation at year-end rates does not apply to non-monetary items, including equity investments. Effects of exchange rate changes on the fair value of equity securities are recorded as part of the fair value gain or loss.

The results and financial position of each group entity (functional currency of none of which is a currency of a hyperinflationary economy) are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

When a subsidiary is disposed of through sale, liquidation, repayment of share capital or abandonment of all, or part of, that entity, the exchange differences deferred in equity are reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

The principal rates of exchange used for translating foreign currency balances were:

	30 June 2007, UAH	31 December 2006, UAH
1 US dollar (USD)	5.050000	5.050000
1 euro (EUR)	6.797300	6.650850
1 Russian Rouble (RUR)	0.195900	0.191790

Exchange restrictions and controls exist relating to converting Ukrainian hryvnia into other currencies. At present, Ukrainian hryvnia is not a freely convertible currency outside Ukraine.

Fiduciary activities. Assets and liabilities held by the Bank in its own name, but on the account of third parties, are not reported on the consolidated balance sheet. The extent of such balances and transactions is indicated in Note 15. For the purposes of disclosure, fiduciary activities do not encompass safe custody functions. Commissions received from fiduciary activities are included in fee and commission income.

Offsetting. Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Accounting for the effects of hyperinflation. Ukraine has previously experienced relatively high levels of inflation and was considered to be hyperinflationary as defined by IAS 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29"). IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date. It states that reporting operating results and financial position in the local currency without restatement is not useful because money loses purchasing power at such a rate that the comparison of amounts from transactions and other events that have occurred at different times, even within the same accounting period, is misleading.

The characteristics of the economic environment of Ukraine indicate that hyperinflation has ceased effective from 1 January 2001. Restatement procedures of IAS 29 are therefore only applied to assets acquired or revalued and liabilities incurred or assumed prior to that date. For these balances, the amounts expressed in the measuring unit current at as 31 December 2000 are the basis for the carrying amounts in these consolidated financial statements. This restatement was prepared by indexing the historical balances by changes in the general price index up to 31 December 2000.

3 Basis of Preparation and Significant Accounting Policies (Continued)

Staff costs and related contributions. Wages, salaries, contributions to the state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Bank.

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 percent or more of all the segments are reported separately.

Changes in presentation. Where necessary, corresponding figures have been adjusted to conform with changes in the presentation of the current period.

The effect of reclassifications is as follows (refer to Note 15):

<i>In thousands on Ukrainian hryvnias</i>	31 December 2006
Increase in	
Revocable commitments to extend credit	1,539,499
Decrease in	
Irrevocable commitments to extend credit (Note 15)	(1,539,499)

Any further changes to this interim condensed consolidated financial information require approval of the Board of Directors who authorised this interim condensed consolidated financial information for issue.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Impairment losses on loans and advances. The Bank regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in the consolidated income statement, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. As significant part of the loan portfolio, in particular retail loans, is long-term and statistics are available only for the last 3 years, these loss statistics are adjusted for duration of loans and benchmarked to experience of other banks providing similar products in countries with more extensive data available. To the extent that the assessed delay in repayment of principal on 5% of the total loans and advances to customers differs by +/- one month, the provision would be approximately UAH 13,554 thousand (31 December 2006: UAH 9,948 thousand) higher or UAH 13,554 thousand (31 December 2006: UAH 9,948 thousand) lower.

Fair value of derivatives. The fair values of financial derivatives that are not quoted in active markets are determined by using valuation techniques. To the extent practical, techniques use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair values. Changing the assumptions not supported by observable market data to a reasonably possible alternative would not result in a significantly different profit, income, total assets or total liabilities.

Finance leases and derecognition of financial assets. Management applies judgement to determine if substantially all the significant risks and rewards of ownership of financial assets and lease assets are transferred to counterparties, in particular which risks and rewards are the most significant and what constitutes substantially all risks and rewards. In addition, judgement is applied as to whether the lease term is for the major part of the economic life of the asset even if title is not transferred.

Recognition of financial instruments. Management applies judgement to determine whether a financial asset and financial liability should be recognised in the transaction where the counterparty for both asset and liability is the same. No asset and liability is recognised in the balance sheet where the arrangement is for the same amount and with the same maturity, unless there is a substantial business purpose for such an arrangement.

Tax legislation. Ukrainian tax, currency and customs legislation is subject to varying interpretations. Refer to Note 15.

Initial recognition of related party transactions. In the normal course of business the Bank enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis.

Revenue recognition. In February 2006 the Bank introduced a new service which was offered to clients who apply for a loan. Clients were offered to open a current account, to which loan funds would be transferred. Such account could be used by the client for loan drawdown and for any other personal purpose. Every time funds are drawn down from such current account, the Bank charges a certain level of commission. Such service is not obligatory and was introduced for the convenience of the Bank's clients. Clients of the Bank have an alternative to receive loan funds in cash, thus avoiding payment of such commission. As such, the Bank believes, that such type of commission is not part of the effective interest rate of the loan but represents a settlement fee and should be recognised as services are provided. Total amount of such commission for the six months ended 30 June 2007 was approximately UAH 63 million (six months ended 30 June 2006: UAH 23 million). This treatment was applied by the Bank till the end of May 2007. In June 2007 the Bank also started to charge commissions on cash withdrawals and from this period commissions received are included in the calculation of the effective interest rate of loans.

5 Adoption of New or Revised Standards and Interpretations

Certain new IFRSs became effective for the Bank from 1 January 2007. Listed below are those new or amended standards or interpretations which are or in the future could be relevant to the Bank's operations and the nature of their impact on the Bank's accounting policies. All changes in accounting policies were applied retrospectively with adjustments made to the retained earnings at 1 January 2006, unless otherwise described below.

IFRS 7, Financial Instruments: Disclosures and a complementary Amendment to IAS 1 Presentation of Financial Statements - Capital Disclosures (effective from 1 January 2007). The IFRS introduced new disclosures to improve the information about financial instruments. The volume of disclosures increased significantly with an emphasis on quantitative aspects of risk exposures and the methods of risk management. The quantitative disclosures provide information about the extent of exposure to risk, based on information provided internally to the entity's key management personnel. Qualitative and quantitative disclosures cover exposure to credit risk, liquidity risk and market risk including sensitivity analysis to market risk. IFRS 7 replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and some of the requirements in IAS 32, Financial Instruments: Disclosure and Presentation. The Amendment to IAS 1 introduces disclosures about level of an entity's capital and how it manages capital. As this interim report contains only condensed financial information in accordance with IAS 34, the new disclosures will be made to the full extent in the annual consolidated financial statements of the Bank for the year ended 31 December 2007.

IFRIC 7, Applying the Restatement Approach under IAS 29 (effective for periods beginning on or after 1 March 2006, that is from 1 January 2007); This Interpretation did not have an impact on this interim condensed consolidated financial information.

IFRIC 8, Scope of IFRS 2 (effective for periods beginning on or after 1 May 2006, that is from 1 January 2007); This Interpretation did not have material impact on this interim condensed consolidated financial information.

IFRIC 9, Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 June 2006, that is from 1 January 2007); This interpretation did not have an impact on this interim condensed consolidated financial information.

IFRIC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006, that is from 1 January 2007); This Interpretation did not have an impact on this interim condensed consolidated financial information.

Effect of Adoption of New or Revised Standards. The effect of adoption of the above new or revised standards and interpretations on the Bank's financial position at 30 June 2007 and 31 December 2006 and on the results of its operations for the six months ended 30 June 2007 and 30 June 2006 was not significant.

6 New Accounting Pronouncements

Certain new standards and interpretations have been published that are mandatory for the Bank's accounting periods beginning on or after 1 January 2008 or later periods and which the Bank has not early adopted:

IAS 1, Presentation of Financial Statements (revised September 2007; effective for annual periods beginning on or after 1 January 2009). The revised IAS 1 replaces the financial statement titles 'balance sheet' and 'cash flow statement' with 'statement of financial position' and 'statement of cash flows'. The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which will also include all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities will be allowed to present two statements: a separate income statement and a statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The Group expects the revised IAS 1 to impact the presentation of its financial statements but to have no impact on the recognition or measurement of specific transactions and balances.

IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009). IFRS 8 specifies how an entity should report information about its operating segments. The Standard requires an entity to report financial and descriptive information about its reportable segments. IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131 Disclosures about Segments of an Enterprise and Related Information. Management is currently assessing what impact the Standard will have on segment disclosures in the Bank's financial statements, including interim financial reports.

Other new standards or interpretations. The Bank has not early adopted the following other new standards or interpretations:

- IFRIC 11, IFRS 2—Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007);
- IFRIC 12, Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008);
- IFRIC 13, Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008);
- IFRIC 14, IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2008).
- IAS 23, Borrowing Costs, revised March 2007 (effective for annual periods beginning on or after 1 January 2009).

Unless otherwise described above, the new standards and interpretations are not expected to significantly affect the Bank's financial statements.

7 Due from Other Banks

<i>In thousands of Ukrainian hryvnias</i>	30 June 2007 (unaudited)	31 December 2006
Term placements with other banks	344,228	303,511
Reverse sale and repurchase agreements with other banks	97,470	26,947
Guarantee deposits with other banks	4,425	4,535
Less: Provision for impairment of due from other banks	-	-
Total due from other banks	446,123	334,993

At 30 June 2007 amounts due from other banks of UAH 97,470 thousand (31 December 2006: UAH 26,947 thousand) are effectively collateralised by securities purchased under reverse sale and repurchase agreements at a fair value of UAH 97,493 thousand (31 December 2006: 26,897 thousand).

Guarantee deposits include balances placed with other banks on behalf of the Bank's customers as cover for letters of credit totaling UAH 1,081 thousand (31 December 2006: UAH 1,079 thousand). The Bank does not have the right to use these funds for the purposes of funding its own activities. In addition, guarantee deposits include balances placed with other banks as cover for guarantees issued by the Bank and for international payments in the amount of UAH 3,344 thousand (31 December 2006: UAH 3,456 thousand). Refer to Note 15.

Movements in the provision for impairment of due from other banks are as follows:

<i>In thousands on Ukrainian hryvnias</i>	6 months to 30 June 2007 (unaudited)	6 months to 30 June 2006 (unaudited)
Provision for impairment of due from other banks at 1 January	-	-
Provision for impairment/ (recovery of) provision for impairment of due from other banks during the period	-	1
Provision for impairment of due from other banks at end of the period	-	1

8 Loans and Advances to Customers

<i>In thousands of Ukrainian hryvnias</i>	30 June 2007 (unaudited)	31 December 2006
Current loans	22,565,491	17,480,877
Finance lease receivables	292,115	128,873
Cash-covered loans	584,729	812,832
Overdue loans	120,255	71,195
Reverse sale and repurchase agreements	451,799	82,734
Less: Provision for loan impairment	(659,977)	(515,991)
Total loans and advances to customers	23,354,412	18,060,520

Overdue loans include outstanding loans that matured before 30 June 2007 and loan instalments due but not paid. Loan instalments not yet due are included in current loans. The total amount of such loans is UAH 1,042,457 thousand (31 December 2006: UAH 850,575 thousand).

The borrowers have the contractual right to early repay the loans. Based on the types of the loan products the Bank may charge penalties for early repayments.

At 30 June 2007 loans and advances to customers of UAH 451,799 thousand (31 December 2006: UAH 82,734) are effectively collateralised by securities purchased under reverse sale and repurchase agreements at a fair value of UAH 459,033 thousand (31 December 2006: UAH 85,693).

8 Loans and Advances to Customers (Continued)

Movements in the provision for loan impairment are as follows:

<i>In thousands of Ukrainian hryvnias</i>	6 months to 30 June 2007 (unaudited)	6 months to 30 June 2006 (unaudited)
Provision for loan impairment at 1 January	515,991	275,812
Provision for loan impairment during the period	144,866	60,247
Currency translation difference	(152)	-
Loans and advances to customers written off during the period as uncollectible	(728)	(1,365)
Provision for loan impairment at the end of the period	659,977	334,694

Economic sector risk concentrations within the customer loan portfolio are as follows:

<i>In thousands of Ukrainian hryvnias</i>	30 June 2007 (unaudited)		31 December 2006	
	Amount	%	Amount	%
Individuals	13,369,401	56	9,899,679	53
Commerce and finance	4,656,636	19	3,173,056	17
Agriculture and food	1,386,051	6	1,692,001	9
Manufacture and machinery building	1,150,897	5	760,386	4
Motor vehicles trading	813,055	3	507,090	3
Property construction	562,631	2	432,266	2
Chemical industry	495,957	2	629,463	3
Air and other transport services	444,263	2	375,388	2
Oil and gas	358,759	1	306,779	2
Metallurgy and mining	253,664	1	280,085	2
Other	523,075	3	520,318	3
Total loans and advances to customers (before impairment)	24,014,389	100	18,576,511	100

At 30 June 2007 total aggregate amount of loans to top 10 borrowers of the Bank was UAH 1,848,970 thousand (31 December 2006: UAH 2,055,476 thousand) or 8% of the gross loan portfolio (31 December 2006: 11%).

9 Due to Other Banks

<i>In thousands of Ukrainian hryvnias</i>	30 June 2007 (unaudited)	31 December 2006
Loans received from other banks	7,808,546	6,575,830
Correspondent accounts and overnight placements of other banks	489,466	16,566
Guarantee deposits of other banks	1,536	2,043
Amounts payable under repurchase agreements	15,721	116,530
Total due to other banks	8,315,269	6,710,969

10 Share Capital

<i>In thousands of Ukrainian hryvnias</i>	Number of outstanding shares, thousands	Nominal amount	Inflation adjusted amount
Shares issued, fully paid and registered as at 1 January 2006	15,000,000	750,000	1,693,684
New shares issued, fully paid and registered	10,000,000	500,000	500,000
Shares issued, fully paid and registered as at 30 June 2006 (unaudited)	25,000,000	1,250,000	2,193,684
New shares issued, fully paid and registered	10,000,000	500,000	500,000
Shares issued, fully paid and registered as at 31 December 2006	35,000,000	1,750,000	2,693,684
New shares issued, fully paid and registered	7,500,000	375,000	375,000
Shares issued and fully paid as at 30 June 2007 (unaudited)	42,500,000	2,125,000	3,068,684

At 30 June 2007, all of the Company's outstanding shares were authorised, issued and fully paid.

All ordinary shares have a nominal value of UAH 0.05 per share (31 December 2006: UAH 0.05 per share), rank equally and each share carries one vote.

On 20 December 2006 the shareholders of the Company took a decision to issue 7.5 billion shares totalling UAH 375,000 thousand. The placement of shares commenced on 7 February 2007 and was completed on 16 February 2007. All shares were fully paid by the end of February 2007. The shareholders meeting of 23 February 2007 approved the results of the new share issue and decided to make the respective changes to the Company's Charter. On 28 March 2007 the National Bank of Ukraine registered the respective changes in the Company's Charter.

Contributions to share capital paid but not registered. On 7 May 2007 the shareholders of the Company took a decision to issue 9 billion shares totalling UAH 450,000 thousand. The placement of shares commenced on 6 June 2007 and was completed on 19 June 2007. All shares were fully paid by the end of June 2007. In total UAH 450,243 thousand was paid by the Company's shareholders in respect of the new share issue. The shareholders meeting of 25 June 2007 approved the results of the new share issue and decided to make the respective changes to the Company's Charter. On 27 July 2007 the National Bank of Ukraine registered the respective changes in the Company's Charter (Note 20).

11 Earnings per Share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

The Company has no dilutive potential ordinary shares; therefore, the diluted earnings per share equal the basic earnings per share.

<i>In thousands of Ukrainian hryvnias</i>	30 June 2007 (unaudited)	30 June 2006 (unaudited)
Profit attributable to equity holders of the Company	114,013	16,126
Weighted average number of ordinary shares in issue (thousands)	42,137,640	17,642,487
Basic and diluted earnings per share (expressed in UAH per share)	0.0027	0.0009

12 Cash and Cash Equivalents and Mandatory Reserves

<i>In thousands of Ukrainian hryvnias</i>	30 June 2007 (unaudited)	31 December 2006
Cash on hand	607,109	557,839
Cash balances with the National Bank of Ukraine	325,631	491,480
Cash balances with the Central Bank of Russian Federation	45,786	95,276
Correspondent accounts and overnight placements with other banks		
- Ukraine	2,136	154
- other countries	298,650	494,410
Less: cash included in disposal group	(502)	-
Total cash and cash equivalents and mandatory reserves	1,278,810	1,639,159

As at 30 June 2007 the mandatory reserve balance with the NBU is calculated on the basis of a simple average over a monthly period (31 December 2006: monthly period) and should be maintained at the level of 0.5 to 5 per cent (31 December 2006: 0.5 to 5 per cent) of certain obligations of the Bank. As such, the balance can vary from day-to-day.

The Bank's mandatory reserve balance with the NBU for June 2007 was UAH 182,056 thousand (December 2006: UAH 178,542 thousand). As at 30 June 2007 the Bank may satisfy its mandatory reserve requirement exclusively with its balance on account with the NBU (31 December 2006: exclusively balance on account with the NBU). Mandatory reserve carries 0% interest rate.

As at 30 June 2007 in accordance with the NBU regulations the Bank was required to maintain the balance on account with the NBU at the level not less than 100% of the mandatory reserves balance for the preceding month (31 December 2006: not less than 100% of the mandatory reserve balance for the preceding month).

As at 30 June 2007 the mandatory reserve balance of the Bank's subsidiary with the Central Bank of Russian Federation (the "CBR") was UAH 3,564 thousand (31 December 2006: UAH 4,519 thousand).

As the respective liquid assets are not freely available to finance the Bank's day-to-day operations, for the purposes of the consolidated cash flow statement, the mandatory reserve balance is excluded from cash and cash equivalents.

The Bank's cash and cash equivalents for the purposes of consolidated cash flow statement were as follows:

<i>In thousands of Ukrainian hryvnias</i>	30 June 2007 (unaudited)	30 June 2006 (unaudited)
Total cash and cash equivalents and mandatory reserves	1,278,810	1,134,181
Add: Cash and equivalents included in assets held-for-sale	502	-
Less: mandatory reserves balances	(185,620)	(366,698)
Cash and cash equivalents for the purposes of cash flow statement	1,093,692	767,483

13 Other Borrowed Funds

<i>In thousands of Ukrainian hryvnias</i>	30 June 2007 (unaudited)	31 December 2006
Syndicated loans	1,261,133	-
Trade financing received from non-banking financial institution	410,144	410,228
Short-term borrowings received from State Mortgage Institution	5,213	22,834
Total other borrowed funds	1,676,490	433,062

In May 2007 the Bank received a syndicated loan from Bayerische Landesbank (Germany) totaling UAH 1,262,500 thousand (USD 250,000 thousand). The borrowing is repayable in 2009. Nominal interest rate of 6.48% per annum is set for semiannual period. Effective interest rate is 7.19 % per annum.

14 Segment Analysis

The Bank's primary format for reporting segment information is business segments.

Business Segments. The Bank is organised on a basis of five main business segments:

- Corporate banking – representing current accounts of large legal entities, deposits, overdrafts, card accounts, loan and other credit facilities, foreign currency and trading finance products. Main principle for allocation of clients to the corporate segment is the amount of their annual income (more than USD 8 million).
- Small and medium enterprises - small and medium enterprises and private entrepreneurs – includes the same types of products as for Corporate banking and accounts of private entrepreneurs including accounts for personal use.
- Retail banking – representing private customer current accounts, savings, deposits, credit and debit cards, consumer loans and mortgages.
- Private banking – includes individuals with the same types of products as retail banking that make an agreement with the bank on using special services.
- Investment banking – includes financial instruments trading, debt and equity capital markets, securities, foreign exchange and banknote trading and corporate finance.

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. Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balances sheet, but excluding taxation. Internal charges and transfer pricing adjustments have been reflected in the performance of each business segment.

The Bank changed its accounting policy for segment revenues to exclude gains (net of losses) from segment revenues. The change was applied retrospectively from 1 January 2006. Management believes that the revised definition of segment revenue better reflects objectives of reporting segment information. The effect of the change was to reduce segment revenues for six months to 30 June 2006 in the retail banking segment by UAH 7,552 thousand, in the corporate banking segment by UAH 3,966 thousand, in the investment banking segment by UAH 30,528 thousand. The change did not have an impact on segment results.

In 2007 the Bank changed its accounting policy for presenting segment information and started to present small and medium enterprises segment and private banking segments separately from corporate banking and retail banking. Management believes that the revised presentation of segment better reflects objectives of reporting segment information and is closer to management reporting. The change was applied retrospectively from 1 January 2006. The effect of the change was to reduce revenues for six months to 30 June 2006 in corporate banking by UAH 107,207 thousand, in retail banking by UAH 64,644 thousand and in Eliminations by UAH 9,779 thousand and increase revenues in small and medium enterprises by UAH 168,156 thousand and increase in private banking by UAH 13,474 thousand; segment assets as at 31 December 2006 in corporate banking were reduced by UAH 2,862,814 thousand and in retail banking by UAH 4,469,865 thousand; whilst segment assets in small and medium enterprises increased by UAH 7,048,654 thousand, in private banking by UAH 156,703 thousand and in Investment banking by UAH 127,322 thousand. Segment liabilities as at 31 December 2006 of corporate banking were reduced by UAH 1,982,181 thousand and of retail banking by UAH 1,169,937 thousand; whilst segment liabilities of small and medium enterprises were increased by UAH 1,321,661 thousand, in private banking by UAH 691,033 thousand and in Investment banking by UAH 1,139,425 thousand.

14 Segment Analysis (Continued)

Segment information for the main reportable business segments of the Bank for the six months ended 30 June 2007 is set out below:

<i>In thousands of Ukrainian hryvnias</i>	Corpor- ate banking	Small and medium entities	Retail banking	Private banking	Investment banking	Other	Elimi- nations	Total
6 months ended 30 June 2007 (unaudited)								
External revenues	473,194	580,370	406,029	11,328	77,741	117,780	-	1,666,442
Revenues from other segments	-	-	-	32,003	607,229	-	(639,232)	-
Total revenues	473,194	580,370	406,029	43,331	684,970	117,780	(639,232)	1,666,442
Total revenues comprise:								
- Interest income	423,379	485,631	354,370	41,772	675,193	22,534	(639,232)	1,363,647
- Fee and commission income	49,815	94,739	51,659	1,559	9,777	1,457	-	209,006
- Insurance income	-	-	-	-	-	88,431	-	88,431
- Other operating income	-	-	-	-	-	5,358	-	5,358
Total revenues	473,194	580,370	406,029	43,331	684,970	117,780	(639,232)	1,666,442
Segment result	101,781	(51,979)	(92,062)	5,771	178,608	38,461	-	180,580
Profit before tax								180,580
Income tax expense								(63,159)
Profit								117,421
Segment assets as at 30 June 2007 (unaudited)								
Total segment assets	7,552,443	9,647,862	7,470,115	220,076	1,782,188	293,719	-	26,966,403
Non-current assets classified as held for sale								110,449
Current and deferred tax assets								10,343
Total assets as at 30 June 2007 (unaudited)								27,087,195
Segment liabilities as at 30 June 2007 (unaudited)								
Total segment liabilities	3,206,149	1,367,519	2,763,301	771,175	15,646,580	102,023	-	23,856,747
Liabilities directly associated with non-current assets classified as held for sale								163,169
Current and deferred tax liabilities								88,400
Total liabilities as at 30 June 2007 (unaudited)								24,108,316
Other segment items								
Capital expenditure	(11,641)	(43,009)	(45,628)	(1,106)	(3,142)	(7,602)	-	(112,128)
Depreciation and amortisation expense	(5,645)	(22,627)	(430)	(20,724)	(921)	(1,589)	-	(51,936)
Provisions for loan impairment and losses on credit related commitments	(23,373)	(76,475)	(310)	(40,481)	(688)	(3,917)	-	(145,244)

14 Segment Analysis (Continued)

Segment information for the main reportable business segments of the Bank for the six months ended 30 June 2006 and as at 31 December 2006 is set out below:

<i>In thousands of Ukrainian hryvnias</i>	Corporate banking	Small and medium entities	Retail banking	Private banking	Investment banking	Other	Eliminations	Total
6 months ended 30 June 2006 (unaudited)								
External revenues	306,436	168,156	244,654	3,695	73,860	57,923	-	854,724
Revenues from other segments	-	-	-	9,779	175,472	-	(185,251)	-
Total revenues	306,436	168,156	244,654	13,474	249,332	57,923	(185,251)	854,724
Total revenues comprise:								
- Interest income	273,104	139,538	197,035	13,070	237,373	11,989	(185,251)	686,858
- Fee and commission income	32,012	27,507	46,760	404	6,966	-	-	113,649
- Insurance income	-	-	-	-	-	45,292	-	45,292
- Other operating income	1,320	1,111	859	-	4,993	642	-	8,925
Total revenues	306,436	168,156	244,654	13,474	249,332	57,923	(185,251)	854,724
Segment result	85,104	(22,578)	(84,451)	265	27,926	16,289	-	22,555
Profit before tax								22,555
Income tax expense								(6,505)
Profit								16,050
Segment assets as at 31 December 2006								
Total segment assets	6,800,250	7,048,654	6,161,437	156,703	1,615,563	226,453	-	22,009,060
Current and deferred tax assets								9,344
Total assets as at 31 December 2006								22,018,404
Segment liabilities as at 31 December 2006								
Total segment liabilities	2,115,132	1,321,661	2,576,536	691,033	13,086,672	170,551	-	19,961,584
Current and deferred tax liabilities								60,465
Total liabilities as at 31 December 2006								20,022,049
Other segment items								
Capital expenditure	(15,549)	(48,284)	(75,862)	(1,293)	(4,444)	(1,426)	-	(146,858)
Depreciation and amortisation expense	(1,671)	(4,921)	(28,613)	(94)	(2,934)	(936)	-	(39,169)
Provisions for loan impairment and losses on credit related commitments	(16,790)	(7,062)	(32,960)	(275)	121	(1,073)	-	(58,039)

15 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Bank are received. On the basis of its own estimates and internal professional advice the Management is of the opinion that no material losses will be incurred in respect of claims and accordingly no provision has been made in this condensed consolidated interim financial information.

Tax legislation. Ukrainian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Bank may be challenged by the relevant regional and central authorities. The tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

The tax consequence of transactions for Ukrainian taxation purposes is frequently determined by the form in which transactions are documented and the underlying accounting treatment prescribed by Ukrainian Accounting Rules. Accordingly, the Bank structures certain transactions so as to take advantage of such form driven determinations to reduce the overall effective tax rate of the Bank.

The Bank's Management believes that its interpretation of the relevant legislation is appropriate and the Bank's tax, currency legislation and customs positions will be sustained. Accordingly, at 30 June 2007 no provision for potential tax liabilities had been recorded (31 December 2006: no provision).

Capital expenditure commitments. At 30 June 2007 the Bank has contractual capital expenditure commitments in respect of premises and equipment totalling UAH 41,941 thousand (31 December 2006: UAH 30,596 thousand) and in respect of purchasing and implementing "SAP Banking" operating system of UAH 3,373 thousand (31 December 2006: UAH 5,640 thousand).

The Bank has already allocated the necessary resources in respect of these commitments. The Bank believes that future net income and funding will be sufficient to cover this and any similar such commitments.

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

<i>In thousands of Ukrainian hryvnias</i>	30 June 2007	31 December 2006
	(unaudited)	
Not later than 1 year	102,300	75,535
Later than 1 year and not later than 5 years	275,377	200,891
Later than 5 years	81,399	81,539
Total operating lease commitments	459,076	357,965

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

Promissory notes endorsements represent guarantees undertaken by the Bank in respect of promissory notes issued by the Bank's clients.

Commitments arising in respect of underwriting activity represent commitments of the Bank arising from the Bank's acting as an underwriter from placement of corporate bonds.

15 Contingencies and Commitments (Continued)

The Bank monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. Outstanding credit related commitments are as follows:

<i>In thousands of Ukrainian hryvnias</i>	30 June 2007 (unaudited)	31 December 2006
Irrevocable commitments to extend credit	653,151	758,546
Commitments arising in respect of underwriting activity	75,000	10,000
Import letters of credit (cash covered)	125,560	70,566
Import letters of credit (uncovered)	245,242	81,251
Guarantees issued (cash covered)	143,551	92,009
Guarantees issued (uncovered)	537,223	205,402
Promissory notes endorsements (cash covered)	22,430	5,237
Promissory notes endorsements (uncovered)	69,550	39,724
Less: cash covered credit related commitments	(291,541)	(167,813)
Less: Provision for losses on credit related commitments	(10,875)	(10,497)
Total credit related commitments	1,569,291	1,084,425

In 2007 the Bank reconsidered the treatment of revocable and irrevocable commitments to extend credit which resulted in increase in revocable commitment to extend credit by UAH 1,539,499 thousand and decrease in irrevocable commitments to extend credit for the same amount (Note 3). The Bank has concluded that from the point of view of credit risk, such commitments do not represent additional credit risk, as in case of deterioration of the financial position of the borrower or in case of existence of other factors, which would hamper the borrowers ability to repay the loan, the Bank has the right to stop the loan drawdown, thus limiting the level of the credit risk. Therefore, for the purposes of this financial information commitments with such characteristics are treated as revocable. The amount of revocable commitments outstanding as at 30 June 2007 was UAH 1,809,281 thousand (31 December 2006: UAH 1,983,464 thousand).

Movements in the provision for losses on credit related commitments are as follows:

<i>In thousands of Ukrainian hryvnias</i>	Note	6 months ended 30 June 2007 (unaudited)	6 months ended 30 June 2006 (unaudited)
Provision for losses on credit related commitments as at 1 January		10,497	6,290
Fees received		15,647	8,095
Amortisation of fees		(15,647)	(8,095)
Provision for losses on credit related commitments during the year		378	(2,209)
Provision for losses on credit related commitments as at 30 June		10,875	4,081

Fiduciary assets. These assets are not included in the Bank's consolidated balance sheet as they are not assets of the Bank. Nominal values disclosed below are normally different from the fair values of respective securities. The nominal values of fiduciary assets fall into the following categories:

<i>In thousands of Ukrainian hryvnias</i>	30 June 2007 (unaudited)	31 December 2006
Shares in domestic companies held in custody	2,347,264	3,121,885
Domestic corporate bonds held in custody	169,866	11,661
Domestic municipal bonds held in custody	32,500	-
Domestic treasury bills held in custody	12,529	9,787
Notes of exchange held in custody	2,509	8,154
Investment certificates held in custody	77,636	7,482
Assets managed by the Bank	211,130	256,259

15 Contingencies and Commitments (Continued)

Assets pledged and restricted. At 30 June 2007 the Bank has the following assets pledged as collateral:

In thousands of Ukrainian hryvnias

	Notes	30 June 2007 (unaudited)		31 December 2006	
		Asset pledged	Related liability/ commitment	Asset pledged	Related liability/ commitment
Cash and cash equivalents and mandatory reserves		-	-	7,717	17,033
Investment securities held to maturity		-	-	19,045	-
Trading securities		16,077	15,721	208,847	218,618
Gross receivables under currency swaps		2,202,717	2,203,408	814,145	813,297
Loans and advances to customers		11,121	5,213	-	-
Total		2,229,915	2,224,342	1,049,754	1,048,948

In addition, mandatory reserve balances in the amount of UAH 185,620 thousand (31 December 2006: UAH 183,061 thousand) represent mandatory reserve assets which are not available to finance the Bank's day to day operations.

In addition, as disclosed in Note 7, as at 30 June 2007 the Bank had guarantee deposits with other banks in the amount of UAH 4,425 thousand (2006: 4,535 thousand), representing cover for letters of credit and guarantees issued, as well as for international payments.

16 Related Party Transactions

For the purposes of this condensed consolidated interim financial information, parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

At 30 June 2007, the outstanding balances with related parties were as follows:

<i>In thousands of Ukrainian hryvnias (unaudited)</i>	Parent company	Shareholders	Key manage- ment personnel	Entities controlled by the Bank's shareholders and other related parties
Cash and cash equivalents	9,716	-	-	-
Loans and advances to customers				
Gross amount of loans and advances to customers in UAH (contractual interest rate: 6 - 19%)		-	125	196,134
Gross amount of loans and advances to customers in USD (contractual interest rate: 9 - 15%)		-	16,797	604,520
Gross amount of loans and advances to customers in EUR (contractual interest rate: 8 - 12%)		12	161	145,505
Gross amount of loans and advances to customers in CHF (contractual interest rate: 8%)		-	-	19,494
Impairment provisions for loans and advances to customers		-	(130)	(52,334)
Investment securities available-for-sale	-	-	-	4,843
Other assets	-	-	5	1,453
Due to other banks				
Due to other bank in USD (contractual interest rate: 6-9%)	4,347,872	-	-	-
Due to other bank in EUR (contractual interest rate: 4-7%)	149,945	-	-	-
Due to other bank in CHF (contractual interest rate: 3-6%)	2,103,527	-	-	-
Due to other banks in RUB (contractual interest rate: 6%)	19,593	-	-	-
Customer accounts				
Current accounts	-	96,837	996	89,201
Term deposits in UAH (contractual interest rate: 1 - 16%)	-	7,253	725	86,870
Term deposits in USD (contractual interest rate: 3 - 12%)	-	173,846	715	39,823
Term deposits in EUR (contractual interest rate: 4 - 6%)	-	1,412	104	51,734
Subordinated debt (contractual interest rate: 9%)	883,286	-	-	-
Other liabilities	-	-	14	3,028
Other borrowed funds (contractual interest rate: 8%)	410,144	-	-	-

16 Related Party Transactions (Continued)

The income and expense items with related parties for the six months ended 30 June 2007 were as follows:

<i>In thousands of Ukrainian hryvnias (unaudited)</i>	Parent company	Shareholders	Key mana- gement person- nel	Entities controlled by the Bank's shareholders and other related parties
Interest income on loans and advances to customers	300	-	623	27,445
Interest expense on customer accounts	-	9,380	44	8,817
Interest expense on subordinated debt	16,601	-	-	9,230
Interest expense on due to other banks	195,382	-	-	-
Recovery of provision/(provision) for loan impairment	-	-	24	11,326
Fee and commission income	1,869	164	28	1,760
Income from insurance operations	-	-	2	30
Other operating expenses	23	-	-	1,953

At 30 June 2007, other rights and obligations with related parties were as follows:

<i>In thousands of Ukrainian hryvnias (unaudited)</i>	Parent company	Shareholders	Key mana- gement personnel	Entities controlled by the Bank's shareholders and other related parties
Commitments to extend credit	-	1,363	6,501	122,809
Commitments to extend credit received from other banks	567,710	-	-	-
Import letters of credit (cash covered)	-	-	-	26,245
Import letters of credit (uncovered)	-	-	-	18,391
Guarantees issued (uncovered)	-	-	-	64
Promissory notes endorsements (uncovered)	-	-	-	7,578

Aggregate amounts lent to and repaid by related parties during six months ended 30 June 2007 were:

<i>In thousands of Ukrainian hryvnias (unaudited)</i>	Parent company	Shareholders	Key mana- gement personnel	Entities controlled by the Bank's shareholders and other related parties
Amounts lent to related parties during the period	-	12	13,599	1,256,043
Amounts repaid by related parties during the period	-	64	13,576	1,630,954

Other transactions. During six months ending 30 June 2007 BNP Paribas "Vostok" (formerly Commercial Bank "UkrSibbank" LLC (Russia)) received non-refundable financial aid from the parent company BNP Paribas SA. For the purposes of this interim condensed consolidated financial information this amount totalling UAH 36,185 thousand was recorded as additional capital.

16 Related Party Transactions (Continued)

At 31 December 2006, the outstanding balances with related parties were as follows:

	Parent company	Other shareholders	Key manage- ment personnel	Entities under control of shareholders and other related parties
<i>In thousands of Ukrainian hryvnias</i>				
Cash and cash equivalents	1,870	-	-	-
Loans and advances to customers				
Gross amount of loans and advances to customers in UAH (contractual interest rate: 6 - 17%)	-	-	50	144,215
Gross amount of loans and advances to customers in USD (contractual interest rate: 9 - 14%)	-	-	16,867	761,659
Gross amount of loans and advances to customers in EUR (contractual interest rate: 8 - 12%)	-	64	144	192,712
Gross amount of loans and advances to customers in CHF (contractual interest rate: 8 - 11%)	-	-	-	241,975
Impairment provisions for loans and advances to customers at 31 December	-	-	(153)	(63,659)
Investment securities available-for-sale	-	-	-	7,520
Other assets	-	-	-	170
Due to other banks				
Due to other bank in USD (contractual interest rate: 6-9%)	3,722,306	-	-	-
Due to other bank in EUR (contractual interest rate: 5-7%)	39,738	-	-	-
Due to other bank in CHF (contractual interest rate: 3-5%)	1,624,344	-	-	-
Customer accounts				
Current accounts (contractual interest rate: 0 – 3%)	-	2,101	1,428	108,259
Term deposits in UAH (contractual interest rate: 7 - 16%)	-	9,184	496	12,512
Term deposits in USD (contractual interest rate: 5 - 12%)	-	206,085	435	191,539
Term deposits in EUR (contractual interest rate: 5 - 9%)	-	10,570	-	146,562
Other borrowed funds (contractual interest rate: 8%)	410,228	-	-	-
Subordinated debt (contractual interest rate: 8 - 10%)	246,063	-	-	309,732
Other liabilities	-	-	-	7,271

16 Related Party Transactions (Continued)

The income and expense items with related parties for the six months ended 30 June 2006 were as follows:

<i>In thousands of Ukrainian hryvnias (unaudited)</i>	Shareholders	Key management personnel	Entities controlled by the Bank's shareholders and other related parties
Interest income on loans and advances to customers	102	346	8,029
Interest expense on customer accounts	(11,561)	(87)	(16,069)
Interest expense on subordinated debt	-	-	(11,138)
Interest expense on due to other banks	(447)	-	-
Recovery of provision/(provision) for loan impairment	256	(543)	7,290
Gains from derecognition of investment securities available-for-sale	-	34	14
Loss on initial recognition of investment securities available-for-sale	-	-	(17,970)
Fee and commission income	336	1	12,740
Income from insurance operations	-	-	470
Other operating income	-	-	191
Other operating expenses	-	-	(108)

At 31 December 2006, other rights and obligations with related parties were as follows:

<i>In thousands of Ukrainian hryvnias</i>	Parent company	Shareholders	Key management personnel	Entities under control of shareholders and other related parties
Commitments to extend credit	-	3,333	1,584	286,353
Commitments to extend credit received from other banks	494,457	-	-	-
Import letters of credit (cash covered)	-	-	-	11,623
Import letters of credit (uncovered)	-	-	-	42,434
Guarantees issued (uncovered)	-	-	-	64
Promissory notes endorsements (uncovered)	-	-	-	12,359

Aggregate amounts lent to and repaid by related parties during the six months ended 30 June 2006 were as follows:

<i>In thousands of Ukrainian hryvnias</i>	Shareholders	Key management personnel	Entities controlled by the Bank's shareholders and other related parties
Amounts lent to related parties during the period	1,978	18,472	2,351,847
Amounts repaid by related parties during the period	3,088	9,750	1,830,039

As at 30 June 2007 the ultimate controlling party of the Bank is BNP Paribas S.A. (31 December 2006: BNP Paribas S. A.).

During the six months to 30 June 2007, the remuneration of members of the Board of Directors comprised salaries, discretionary bonuses and other short-term benefits totalling UAH 15,345 thousand (six months ended 30 June 2006: UAH 1,869 thousand).

17 Principal Subsidiaries and Special Purpose Entities

As at 30 June 2007 the Bank consolidated the following subsidiaries:

Name	Nature of business	Country of registration	Percentage of legal ownership	
			30 June 2007	31 December 2006
Limited Liability Company "Ukrainian Leasing Company"	Leasing	Ukraine	100.00%	99.996%
Closed Joint-Stock Company "Asset Management Company "UkrSib Asset Management"	Asset management	Ukraine	99.94%	99.94%
Closed Joint-Stock Insurance Company "Ukrainian Insurance Alliance" (Note 19)	Insurance	Ukraine	100.00%	100.00%
Commercial Bank BNP Paribas "Vostok" (formerly Commercial Bank "UkrSibbank" LLC) (Note 20)	Banking	Russian Federation	100.00%	100.00%
"Closed Non-diversified Investment Fund UkrSib Stabilnii Investicii"	Asset management	Ukraine	99.94%	99.94%

As at 30 July 2007 the Bank's Management also consolidated four special purpose entities ("SPE") disclosed below. Two of these SPEs, Limited Liability Company "UkrSib-Finance" and Limited Liability Company "Universal Leasing Company", were created in 2003 and 2002 to serve as an integral part of the Bank's business.

Closed Joint-Stock Company "UkrSib Real Estate" and Open Joint-Stock Company "UkrSib Fond Nedvigemosty" were created in 2006 to manage investor's assets in investment building projects. In the first half of 2007 the Bank reestablished control over the business of Open Joint-Stock Company "Closed Non-diversified Corporate Investment Fund UkrSib Real Estate" and Open Joint-Stock Company "UkrSib Fond Nedvigemosty". The Bank currently controls operations of these entities. In future the Bank plans to make additional investments into these entities in order to participate in large real estate projects. Refer to Note "Business Combinations".

The following special purpose entities have been consolidated in this condensed consolidated interim financial information:

Name	Nature of business	Country of registration	Percentage of ownership directly held by the Bank	
			30 June 2007	31 December 2006
Limited Liability Company "UkrSib-Finance"	Finance	Ukraine	9.90%	9.90%
Limited Liability Company "Universal Leasing Company"	Leasing	Ukraine	9.094%	9.091%
Closed Joint-Stock Company "UkrSib Real Estate"	Rent and sale estate	Ukraine	99.74%	0.50%
Open Joint-Stock Company "UkrSib Fond Nedvigemosty"	Asset management	Ukraine	25.99%	0.49%

The Bank's share in the investment securities and shares of earlier created funds as at 30 June 2007 does not exceed 20 % and are of a temporary nature. Assets of these investment funds, being under the Bank's management, are included to the fiduciary assets. Refer to Note 15.

18 Business Combinations

Due to the reinstatement of control over Closed Joint-Stock Company “UkrSib Real Estate” in 2007 it has been included by the Bank in its condensed consolidated interim financial information for the six month period ended 30 June 2007 starting from 15 June 2007. The Bank’s share as at and during the period ended 30 June 2007 totaled 99.74% of the registered capital of the subsidiary.

Due to the re-establishment of control over the activity of Open Joint-Stock Company “UkrSib Fond Nedvigemosty” in 2007 it has been included by the Bank in its condensed consolidated interim financial information for the six month period ended 30 June 2007 starting from 1 June 2007. The Bank’s share during the period ended 30 June 2007 totaled 25.99% of the registered share capital. The Bank currently controls operations of these entities. In future the Bank plans to make additional investments into these entities in order to participate in large real estate projects.

The details of assets and liabilities acquired are as follows:

<i>In thousands of Ukrainian hryvnias</i>	IFRS carrying amount immediately before business combination	Fair value
Cash and cash equivalents	27	27
Trading securities	3,020	3,020
Other assets	6	6
Other liabilities	(8)	(8)
Fair value of net assets of subsidiary	3,045	3,045
Less: minority interest		(1,886)
Fair value of acquired interest in net assets of subsidiary		1,159
Excess of fair value of acquired interest in Bank’s share in net assets of subsidiary over the cost of investment		(14)
Total purchase consideration		1,145
Less: carrying amount of investment in the acquiree prior to the acquisition		(989)
Less: cash and cash equivalents in subsidiary acquired		(27)
Net outflow of cash and cash equivalents of acquisition		129

19 Non-Current Assets Classified as Held for Sale

On 7 June 2007 the Bank's Management signed a contract to sell 50% plus 1 share of Closed Joint-Stock Insurance Company "Ukrainian Insurance Alliance" with AXA, a French joint stock company. All assets and liabilities of the subsidiary are classified as assets held for sale in the Bank's condensed consolidated interim financial information as at 30 June 2007. Completion of this transaction is subject to obtaining approval from the Antimonopoly Committee of Ukraine. The minority investments of the Closed Joint-Stock Insurance Company "Ukrainian Insurance Alliance" in other subsidiaries of the Bank (UAH 300 thousand in the Limited Liability Company "Universal Leasing Company" and UAH 16,507 thousand in the Commercial Bank BNP Paribas "Vostok" LLC, representing 37.5 % interest in the entity) are excluded from assets held for sale because the Bank will continue to control these subsidiaries after the sale of the minority investment and will recover their assets principally through use rather than through sale.

Assets and liabilities of the Limited Liability Company "Universal Leasing Company" and Commercial Bank BNP Paribas "Vostok" LLC are included in Bank's condensed consolidated interim financial information as at 30 June 2007.

	30 June 2007 (unaudited)
<i>In thousands of Ukrainian hryvnias</i>	
Non-current assets classified as held for sale	
Cash and cash equivalents and mandatory reserves	502
Trading securities	6,489
Due from other banks	61,916
Investment securities available-for-sale	16,903
Intangible assets	526
Premises, leasehold improvements and equipment	3,186
Deferred income tax asset	3,737
Reinsurer's portion in insurance reserves	5,924
Other assets	11,266
TOTAL ASSETS	110,449
Liabilities directly associated with non-current assets classified as held for sale	
Current income tax liability	2,305
Other liabilities	4,072
Insurance reserves, gross	156,792
TOTAL LIABILITIES	163,169

20 Subsequent Events

On 7 May 2007 the shareholders of the Company took a decision to issue 9 billion additional shares totalling UAH 450,000 thousand. On 27 July 2007 the National Bank of Ukraine registered the increase in the share capital of the Company (Note 10).

On 23 July 2007 the Bank issued Eurobonds for a total nominal value of UAH 1,010,000 thousand (USD 200,000 thousand). The bonds carry a fixed coupon rate of 7.375% per annum, an effective interest rate of 7.733% per annum and mature in July 2010. The Eurobonds are listed on the Luxembourg Stock Exchange.

On 26 July 2007 the Bank signed an agreement for the purchase of a non-controlling share totalling 50% less 1 share in Ukrainian insurance company "Vesko".

On 20 August 2007 shareholders of the Closed Joint-Stock Company Asset Management Company "Ukrsib Asset Management" took a decision to purchase 9.094 % share of Limited Liability Company "Universal Leasing Company" from Closed Joint-Stock Insurance Company "Ukrainian Insurance Alliance" for UAH 300 thousand.

On 19 July 2007 the Bank signed a three-party share purchase agreement with BNP Paribas in accordance with which UkrSibbank and Ukrainian Insurance Alliance undertake to sell their shares totalling 62.5% and 37.5%, respectively, in BNP Paribas "Vostok" (formerly Commercial Bank "UkrSibbank" LLC) to BNP Paribas.