

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

For the six-month period ended 30 June 2008
Together with the Review Report of Independent Auditors’

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS AND THE BOARD OF OPEN JOINT STOCK COMPANY "THE STATE EXPORT-IMPORT BANK OF UKRAINE"

Introduction

We have reviewed the accompanying interim condensed consolidated balance sheet of Open Joint Stock Company "The State Export-Import Bank of Ukraine" and its subsidiaries (the "Bank") as at 30 June 2008, and the related interim condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended and selected explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

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

Ernst & Young Audit Services LLC

21 August 2008

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET **As at 30 June 2008**

(Thousands of Ukrainian hryvnia)

	Notes	30 June 2008 (unaudited)	31 December 2007
Assets			
Cash and cash equivalents	4	5,344,009	3,460,104
Amounts due from credit institutions	5	317,513	279,139
Loans to customers	6	25,346,336	21,781,631
Investment securities:			
- designated at fair value through profit and loss	7	1,227,653	1,342,737
- available-for-sale	7	201,752	2,341
- held to maturity	7	195,019	508,025
Property and equipment	8	1,388,648	1,025,480
Intangible assets	9	8,448	9,228
Other assets		218,281	157,171
Total assets		34,247,659	28,565,856
Liabilities			
Amounts due to credit institutions	10	10,705,159	8,142,984
Amounts due to customers		13,227,706	10,594,902
Eurobonds issued	11	4,941,903	5,145,498
Debt securities issued	12	1,262,232	1,287,093
Subordinated debt		615,188	640,257
Current income tax liabilities		34,231	21,611
Deferred income tax liabilities		219,367	131,902
Other liabilities		152,783	104,762
Provisions		7,012	7,301
Total liabilities		31,165,581	26,076,310
Equity			
Share capital	13	2,675,867	2,199,232
Revaluation reserve		664,525	441,239
Securities revaluation reserve		1,784	-
Accumulated deficit		(260,098)	(150,925)
Total equity attributable to the shareholder of the Bank		3,082,078	2,489,546
Total liabilities and equity		34,247,659	28,565,856

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

Victor Kapustin

Chairman of the Board

Nataliya Potemskaya

Chief Accountant

21 August 2008

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
For the six-month period ended 30 June 2008

(Thousands of Ukrainian hryvnia)

	<i>Notes</i>	<i>For the six-month period ended 30 June</i>	
		<i>2008</i>	<i>2007</i>
		<i>unaudited</i>	
Interest income			
Loans to customers		1,551,230	995,351
Amounts due from credit institutions		87,195	69,442
Investment securities		20,184	2,568
		<u>1,658,609</u>	<u>1,067,361</u>
Securities at fair value through profit and loss		69,277	42,987
		<u>1,727,886</u>	<u>1,110,348</u>
Interest expense			
Due to customers		(471,456)	(256,282)
Eurobonds issued		(188,525)	(191,166)
Due to credit institutions		(257,775)	(150,928)
Subordinated debt		(26,675)	(26,347)
Debt securities issued		(61,088)	(29,511)
Due to the NBU		(3,717)	-
		<u>(1,009,236)</u>	<u>(654,234)</u>
Net interest income		718,650	456,114
Impairment of interest earning assets		(157,869)	(88,772)
Net interest income after impairment of interest earning assets		560,781	367,342
Fee and commission income		209,375	123,315
Fee and commission expense		(21,192)	(14,020)
Fees and commissions, net		188,183	109,295
Gains less losses from foreign currencies and precious metals:			
- dealing		118,652	52,136
- translation differences		(10,801)	1,640
Gain less losses from available-for-sale financial assets	7	18,020	(1,008)
Other income		41,634	26,442
Non interest income		167,505	79,210
Change in fair value of investment securities designated at fair value through profit and loss		(1,612)	(1,062)
Personnel expenses		(312,502)	(180,708)
Depreciation and amortisation		(23,628)	(24,456)
Other administrative and operating expenses		(79,600)	(57,274)
(Impairment)/ release of impairment of other assets and provisions		(6,747)	33,797
Non interest expense		(424,089)	(229,703)
Profit before income tax expense		492,380	326,144
Income tax expense		(131,137)	(90,770)
Profit for the period		361,243	235,374

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six-month period ended 30 June 2008

(Thousands of Ukrainian hryvnia)

	<i>Share capital</i>	<i>Attributable to the shareholder of the Bank Revaluation reserve</i>	<i>Securities revaluation reserve</i>	<i>Accumulated deficit</i>	<i>Total</i>
1 January 2007	1,631,649	452,457	-	(347,403)	1,736,703
Depreciation transfer for buildings		(5,579)	-	5,579	-
Total income and expense for the six-month period recognised directly in equity	-	(5,579)	-	5,579	-
Profit for the six-month period	-	-	-	235,374	235,374
Total income and expense for the six-month period	-	(5,579)	-	240,953	235,374
Increase in share capital (Note 13)	367,583	-	-	(367,583)	-
30 June 2007 (unaudited)	1,999,232	446,878		(474,033)	1,972,077
31 December 2007	2,199,232	441,239	-	(150,925)	2,489,546
Revaluation of property, net of tax		229,505	-		229,505
Depreciation transfer for buildings	-	(6,204)	-	6,204	-
Disposal of property	-	(15)	-	15	-
Net gain on revaluation of securities available-for-sale, net of tax	-	-	1,784	-	1,784
Total income and expense for the six-month period recognised directly in equity	-	223,286	1,784	6,219	231,289
Profit for the six-month period	-	-	-	361,243	361,243
Total income and expense for the six-month period	-	223,286	1,784	367,462	592,532
Increase in share capital (Note 13)	476,635	-	-	(476,635)	-
30 June 2008 (unaudited)	2,675,867	664,525	1,784	(260,098)	3,082,078

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six-month period ended 30 June 2008

(Thousands of Ukrainian hryvnia)

	For the six-month period ended 30 June	
	2008	2007
	(unaudited)	
Cash flows from operating activities		
Interest, fees and commissions received	1,803,148	1,186,160
Interest, fees and commissions paid	(908,372)	(566,104)
Gains less losses from dealing in foreign currencies and securities	118,654	52,338
Other operating income received	41,354	26,445
Salaries and benefits	(253,889)	(167,312)
Other operating and administrative expenses paid	(75,935)	(59,665)
Cash flow from operating activities before changes in operating assets and liabilities	724,960	471,862
<i>Increase in operating assets:</i>		
Amount due from credit institutions	(41,386)	(125,878)
Loans to customers	(2,036,246)	(3,181,908)
Other assets	(81,894)	(1,863)
<i>Increase/ (decrease) in operating liabilities:</i>		
Amounts due to credit institutions	(98,160)	145,560
Amounts due to customers	2,644,762	1,782,178
Other liabilities	22,717	14,218
Net cash flows from operating activities before income tax	1,134,753	(895,831)
Income tax paid	(107,549)	(76,043)
Net cash flows from operating activities	1,027,204	(971,874)
Cash flows from investing activities		
Investments in securities	236,920	135,678
Purchases of property, equipment and intangible assets	(82,106)	(46,219)
Proceeds from sale of property and equipment	756	558
Net cash used in investing activities	155,570	90,017
Cash flows from financing activities		
Proceeds from bonds issued	-	775,503
Redemption of bonds issued	(23,680)	-
Amounts due to credit institutions	815,876	1,633,719
Net cash inflow from financing activities	792,196	2,409,222
Effect of exchange rate changes on cash and cash equivalents	(91,065)	20,415
Net change in cash and cash equivalents	1,883,905	1,547,780
Cash and cash equivalents at the beginning of the period (Note 4)	3,460,104	2,947,705
Cash and cash equivalents at the end of the period (Note 4)	5,344,009	4,495,485

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

1. Principal activities

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

As at 30 June 2008 and 2007, 100% of EximBank’s shares were owned by the Cabinet Ministers of Ukraine on behalf of the State of Ukraine.

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

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

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

These interim condensed consolidated financial statements comprise EximBank, its subsidiaries and unincorporated mutual investment fund (together referred to as the “Group”). A list of consolidated subsidiaries is as follows:

“Ukreximleasing”, a 100% owned subsidiary was founded in 1997 and operates in Ukraine in the leasing business. The Bank is the main customer of and provider of finance to this company.

“Eximleasing” Ltd, a 100% owned subsidiary was founded in 2006.

In 2006, EximBank established an unincorporated mutual investment fund - “Agat”, which is of a non-diversified nature. As at 30 June 2008, EximBank holds 99% of the investment certificates of “Agat” (31 December 2007: 99%) and the assets and liabilities of this investment fund were consolidated into the financial statements of EximBank for the six-month period ended 30 June 2008 and year ended 31 December 2007 as Eximbank has the power to exercise control over operations of “Agat”.

2. Basis of preparation and accounting policies

Basis of preparation

The interim condensed consolidated financial statements for the six-month period ended 30 June 2008 have been prepared in accordance with IAS 34 “Interim Financial Reporting”.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with Group’s annual consolidated financial statements for the year ended 31 December 2007.

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

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007, except for the adoption of new standards and interpretations, noted below.

IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"

IFRIC Interpretation 14 was issued in July 2007 and becomes effective for annual periods beginning on or after 1 January 2008. This Interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 19 Employee Benefits. Currently, the Group does not have any defined benefit schemes and adoption of this interpretation did not have any effect on the financial position or results of operations of the Group.

3. Segment information

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is not reported geographically due to the fact that the Group operates solely on the territory of the Ukraine, which determines primary location of the Group's assets and location of its clients. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

For management purposes, the Group is organised into four business segments:

Retail banking	Principally handling individual customers' deposits, and providing consumer loans, overdrafts, credit cards facilities and funds transfer facilities.
Corporate banking	Principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers.
Financial institutions	Principally handling loans and deposits to financial institutions, execute treasury and other central financial functions.
Other/Unallocated	Other not directly allocated operation.

Business segments

The following table presents income and profit and certain asset and liability information regarding the Group's business segments for the six-month period ended 30 June 2008:

	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Financial institutions</i>	<i>Other/ Unallocated</i>	<i>Total</i>
External income					
Interest income	84,075	1,470,693	173,118	-	1,727,886
Interest expenses	(334,203)	(217,793)	(457,240)	-	(1,009,236)
Allowance for loan impairment	(8,672)	(149,197)	-	-	(157,869)
Net interest income after allowance for loan impairment	(258,800)	1,103,703	(284,122)	-	560,781
Net fee and commission income	131,778	48,512	7,898	(5)	188,183
Other non-interest income	20,942	38,042	133,350	(24,829)	167,505
Non-interest expense	(205,449)	(81,633)	(25,478)	(111,529)	(424,089)
Income from other segments	433,683	299,303	600,404	1,341,736	2,675,126
Expenses of other segments	(63,585)	(1,133,221)	(144,928)	(1,333,392)	(2,675,126)
Segment results	58,569	274,706	287,124	(128,019)	492,380
Income tax expense					(131,137)
Profit for the period					361,243
Assets and liabilities					
Segment assets	3,135,095	24,144,009	6,789,429		34,068,533
Unallocated assets				179,126	179,126
Total assets					34,247,659
Segment liabilities	9,323,671	7,706,043	13,847,797		30,877,511
Unallocated liabilities				288,070	288,070
Total liabilities					31,165,581
Other segment information					
Capital expenditure	(61,892)	(9,763)	(1,748)	(8,276)	(81,679)
Depreciation and amortisation	(17,444)	(3,053)	(546)	(2,585)	(23,628)
Impairment of other assets and provisions	(7,943)	-	(2,985)	-	(10,928)

The following table presents income and profit for the six-month period ended 30 June 2007 and certain asset and liability information regarding the Group’s business segments as at 31 December 2007:

	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Financial institutions</i>	<i>Other/ Unallocated</i>	<i>Total</i>
External income					
Interests income	31,472	964,065	114,811	-	1,110,348
Interest expenses	(167,194)	(119,644)	(367,396)	-	(654,234)
Allowance for loan impairment	1,745	(90,517)	-	-	(88,772)
Net interest income after allowance for loan impairment	(133,977)	753,904	(252,585)	-	367,342
Net fee and commission income	92,834	12,882	3,583	(4)	109,295
Other non-interest income	7,598	24,449	43,602	3,561	79,210
Non-interest expense	(139,424)	(23,452)	(11,171)	(55,656)	(229,703)
Income from other segments	224,058	131,347	419,924	856,234	1,631,563
Expenses of other segments	(20,327)	(758,434)	(77,472)	(775,330)	(1,631,563)
Segment results	30,762	140,696	125,881	28,805	326,144
Income tax expense					(90,770)
Profit for the period					235,374
Assets and liabilities					
Segment assets	2,354,483	21,027,664	5,017,435		28,399,582
Unallocated assets				166,274	166,274
Total assets					28,565,856
Segment liabilities	7,555,511	5,553,430	12,802,818		25,911,759
Unallocated liabilities				164,551	164,551
Total liabilities					26,076,310
Other segment information					
Capital expenditure	(31,170)	(6,239)	(959)	(4,236)	(42,603)
Depreciation and amortisation	(17,276)	(3,935)	(599)	(2,646)	(24,456)
Release of other assets and provisions	28,634	-	949	3,004	32,587

4. Cash and cash equivalents

Cash and cash equivalents comprised the following as at 30 June 2008 and 31 December 2007:

	<i>30 June 2008 (unaudited)</i>	<i>31 December 2007</i>
Cash on hand	413,538	510,319
Current account with the National Bank of Ukraine	1,243,977	602,277
Current accounts with other credit institutions	1,814,828	1,194,024
Overnights deposits with other credit institutions	1,785,355	887,197
Time deposits with credit institutions up to 90 days	86,311	266,287
Cash and cash equivalents	5,344,009	3,460,104

5. Amounts due from credit institutions

Amounts due from credit institutions consisted of the following as at 30 June 2008 and 31 December 2007:

	30 June 2008 (unaudited)	31 December 2007
Loans and deposits		
Ukrainian banks	310,340	269,606
CIS and other foreign banks	3,407	4,640
OECD banks	2,301	2,271
	<u>316,048</u>	<u>276,517</u>
Other amounts due from credit institutions	1,465	2,622
Due from credit institutions	<u>317,513</u>	<u>279,139</u>

6. Loans to customers

Loans to customers consisted of the following as at 30 June 2008 and 31 December 2007:

	30 June 2008 (unaudited)	31 December 2007
Loans to customers	24,939,953	21,656,051
Overdrafts	927,925	612,465
Finance lease receivables	152,728	182,924
Promissory notes	101,271	63,159
	<u>26,121,877</u>	<u>22,514,599</u>
Less – Allowance for impairment	(775,541)	(732,968)
Loans to customers	<u>25,346,336</u>	<u>21,781,631</u>

Loans have been extended to the following types of customers:

	30 June 2008 (unaudited)	31 December 2007
Private entities	22,487,217	19,630,645
State and municipal entities	2,203,299	1,863,028
Individuals	1,431,361	1,020,926
Total loans to customers	<u>26,121,877</u>	<u>22,514,599</u>

7. Investment securities

Investment securities designated at fair value through profit or loss as at 30 June 2008 and 31 December 2007 comprise the following:

	30 June 2008 (unaudited)	31 December 2007
Corporate bonds	478,486	586,929
Ukrainian State bonds	749,167	755,808
Investment securities designated at fair value through profit and loss	<u>1,227,653</u>	<u>1,342,737</u>

“The State Export-Import Bank of Ukraine”

Notes to Interim Condensed Consolidated Financial Statements for the six-month period ended 30 June 2008

(in thousands of Ukrainian hryvnia unless otherwise indicated)

Available-for-sale investment securities comprise:

	30 June 2008 (unaudited)	31 December 2007
Corporate shares	2,586	2,341
Corporate bonds	199,166	-
Available-for-sale investment securities	201,752	2,341

In May and June 2008, the Bank sold shares of VISA Inc. and Master Card Inc. on the United States stock exchange. As a result of this transaction the Bank recognised a gain of UAH 22,371 thousand.

Held-to-maturity investment securities comprise the following:

	30 June 2008 (unaudited)		31 December 2007	
	Nominal value	Carrying value	Nominal value	Carrying value
Ukrainian State bonds	2,000	2,045	14,616	14,689
NBU deposit certificates	-	-	300,000	300,074
Corporate bonds	190,000	192,974	190,000	193,262
Held-to-maturity investments		195,019		508,025

During the six months ended 30 June 2008, Ukrainian State bonds with a nominal value of UAH 12,616 thousand and the NBU deposit certificates with a nominal value of UAH 300,000 thousand were repaid at maturity.

8. Property and equipment

The movements of property and equipment during the six-month period ended 30 June 2008 and 30 June 2007 were as follows:

	Buildings and property	Leasehold improve- ments	Computers and equipment	Furniture, fixtures and other assets	Motor vehicles	Constructior. in progress	Total
Cost or revalued amount							
31 December 2007	1,088,317	10,047	166,766	97,586	15,973	38,596	1,417,285
Additions	814	-	4,501	3,058	-	72,840	81,213
Disposals	(121)	(175)	(3,638)	(642)	(384)	(244)	(5,204)
Transfers	7,955	287	7,390	1,199	742	(17,573)	-
Revaluation	373,585	-	-	-	-	-	373,585
30 June 2008	1,470,550	10,159	175,019	101,201	16,331	93,619	1,866,879
Accumulated depreciation							
31 December 2007	(210,463)	(3,698)	(109,055)	(56,194)	(12,395)		(391,805)
Charge for the period	(7,694)	(1,004)	(7,828)	(4,753)	(677)		(21,956)
Disposals	41	32	3,631	642	385		4,731
Impairment	(1,623)	-					(1,623)
Revaluation	(67,578)	-					(67,578)
30 June 2008	(287,317)	(4,670)	(113,252)	(60,305)	(12,687)		(478,231)
Net book value:							
31 December 2007	877,854	6,349	57,711	41,392	3,578	38,596	1,025,480
30 June 2008	1,183,233	5,489	61,767	40,896	3,644	93,619	1,388,648

“The State Export-Import Bank of Ukraine”

Notes to Interim Condensed Consolidated Financial Statements for the six-month period ended 30 June 2008

(in thousands of Ukrainian hryvnia unless otherwise indicated)

	<i>Buildings and property</i>	<i>Leasehold improve- ments</i>	<i>Computers and equipment</i>	<i>Furniture, fixtures and other assets</i>	<i>Motor vehicles</i>	<i>Construction in progress</i>	<i>Total</i>
Cost or revalued amount							
31 December 2006	1,065,235	7,311	139,176	79,284	14,809	30,769	1,336,584
Additions	-	-	3,492	2,904		39,511	45,907
Disposals	(280)	(193)	(525)	(197)	(513)	(1,027)	(2,735)
Transfers	1,915	1,608	11,024	2,004	1,506	(18,057)	-
Reclassifications	339	-	101	(440)			-
30 June 2007	1,067,209	8,726	153,268	83,555	15,802	51,196	1,379,756
Accumulated depreciation							
31 December 2006	(188,893)	(2,358)	(97,143)	(47,877)	(11,950)		(348,221)
Charge for the year	(10,728)	(747)	(6,446)	(4,065)	(555)		(22,541)
Disposals	47	193	520	173	513		1,446
Reclassifications	(13)	-	(2)	15			-
30 June 2007	(199,587)	(2,912)	(103,071)	(51,754)	(11,992)		(369,316)
Net book value:							
31 December 2006	876,342	4,953	42,033	31,407	2,859	30,769	988,363
30 June 2007	867,622	5,814	50,197	31,801	3,810	51,196	1,010,440

As at 30 June 2008, buildings and property include leasehold improvements with a net book value of UAH 5,490 thousand (31 December 2007: UAH 6,346 thousand).

In May 2008, management revised its estimates of the useful economic lives for buildings which it owns. This change in accounting estimate resulted in a decrease in the depreciation expense of approximately UAH 4,580 thousand for the period ended 30 June 2008.

In the six-month period ended 30 June 2008, the Group revalued its buildings. The valuation was performed by an independent appraiser as at 1 May 2008 and the fair value was determined by reference to market-based evidence. If the buildings were measured using the cost model, the carrying amounts would be as follows:

	<i>30 June 2008 (revalued)</i>	<i>30 June 2008 (at cost)</i>	<i>31 December 2007 (revalued)</i>	<i>31 December 2007 (at cost)</i>
Cost	1,470,550	354,431	1,088,317	345,662
Accumulated depreciation	(287,317)	(60,032)	(210,463)	(56,488)
Net carrying amount	1,183,233	294,399	877,854	289,174

9. Intangible assets

The movements of computer software during the six month period ended 30 June 2008 and 30 June 2007 were as follows:

	<i>Computer software</i>
Cost	
31 December 2007	29,104
Additions	893
Disposals	(83)
30 June 2008	29,914
Accumulated amortisation	
31 December 2007	(19,876)
Charge for the year	(1,672)
Disposals	82
30 June 2008	(21,466)
Net book value:	
31 December 2007	9,228
30 June 2008	8,448
	<i>Computer software</i>
Cost	
31 December 2006	27,580
Additions	1,338
Disposals	(91)
30 June 2007	28,827
Accumulated amortisation	
31 December 2006	(18,934)
Charge for the year	(1,915)
Disposals	91
30 June 2007	(20,758)
Net book value:	
31 December 2006	8,646
30 June 2007	8,069

10. Amounts due to credit institutions

As at 30 June 2008 and 31 December 2007, amounts due to credit institutions comprise:

	30 June 2008 (unaudited)	31 December 2007
Current accounts		
Ukrainian banks	151,861	155,928
CIS and other foreign banks	2,997	11,115
	154,858	167,043
Loans and deposits		
International financial organisations	1,825,769	1,539,931
OECD banks	8,338,054	5,648,542
CIS and other foreign banks	38,686	378,686
Ukrainian banks	347,256	404,974
	10,549,765	7,972,133
Other amounts due to credit institutions	536	3,808
Amounts due to credit institutions	10,705,159	8,142,984

For the purpose of cash flow statement presentation, the Group segregates funds attracted from credit institutions into operating and financing activities. Funds attracted from Ukrainian banks were included in operating activity and from other banks – in financing activity.

11. Eurobonds issued

	30 June 2008 (unaudited)		31 December 2007	
	Nominal value	Carrying value	Nominal value	Carrying value
September 2004 issue	727,335	730,908	757,500	759,973
February 2005 issue	484,890	502,437	505,000	523,109
October 2005 issue	1,225,559	1,226,077	1,262,500	1,276,316
September 2006 issue	1,697,115	1,733,055	1,767,500	1,804,295
November 2006 issue	727,335	749,426	757,500	781,805
Eurobonds issued		4,941,903		5,145,498

12. Debt securities issued

In February 2008, the Group has redeemed series B local bonds for the amount of UAH 23,680 thousand.

13. Equity

As at 30 June 2008, EximBank's authorised issued share capital comprised 1,962,634 (31 December 2007: 1,486,000) ordinary shares, with a nominal value of UAH 1,320.75 per share. All shares have equal voting rights. As at 30 June 2008, all issued shares were fully paid and registered (31 December 2007: all shares were fully paid and registered).

In February 2008, the Eximbank's Supervisory Board approved a decision to increase the share capital through capitalisation of profit for 2007 in the amount of UAH 476,635 thousand. This decision was approved by the Cabinet of Ministers of Ukraine on 22 February 2008. As at 30 June 2008, share capital increase was approved and registered by all Ukrainian authorities.

14. Financial commitments and contingencies

Financial commitments and contingencies as at 30 June 2008 and 31 December 2007 comprise:

	30 June 2008 (unaudited)	31 December 2007
Letters of credit	1,052,028	974,364
Guarantees	1,052,521	934,149
Avals on promissory notes	100,538	107,083
Undrawn loan commitments	421,921	517,399
	2,627,008	2,532,995
Less – Provisions	(7,012)	(7,301)
	2,619,996	2,525,694
Less – Cash held as security against letters of credit, avals and guarantees	(230,118)	(243,194)
Financial commitments and contingencies	2,389,878	2,282,500

15. Related party transactions

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

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

The outstanding balances and turnover of related party transactions as at 30 June 2008 and 31 December 2007, and related expense and income for the six month periods ended 30 June 2008 and 2007 are as follows:

	30 June 2008 (unaudited)	31 December 2007
	State controlled entities	State controlled entities
Correspondent account with the NBU	1,243,977	602,277
Overnight deposits with other credit institutions	-	-
Current accounts with other credit institutions	2	1
Amounts due from credit institutions	-	-
State bonds designated at fair value through profit and loss	749,167	755,808
Corporate bonds classified as available for sale	20,284	-
Held to maturity State bonds	2,045	14,689
Held to maturity NBU deposit certificates	-	300,074
Held to maturity other corporate bonds	192,974	193,263
Total held to maturity securities	195,019	508,026
Loans outstanding	2,203,299	1,863,028
Less: allowance for impairment	(177,406)	(101,839)
Loans outstanding, net	2,025,893	1,761,189
Other assets	2,439	6,326
Amounts due to the NBU	-	-
Amounts due to credit institutions	943	130,809

	<i>30 June 2008 (unaudited)</i>	<i>31 December 2007</i>
	<i>State controlled entities</i>	<i>State controlled entities</i>
Current accounts	849,881	792,686
Time deposits	343,011	130,288
Amounts due to customers	1,192,892	922,974
Bonds issued	102,774	102,949
Other liabilities	2,564	13,358
Provision for unsecured commitments	(6,996)	(7,287)
Commitments and guarantees issued	424,642	329,414
	<i>For the six month period ended 30 June 2008</i>	<i>2007</i>
	<i>(unaudited)</i>	
	<i>State controlled entities</i>	<i>State controlled entities</i>
Interest income on loans	119,481	40,874
Interest income on securities	43,054	7,158
Interest income on amounts due from credit institution	76	
Interest income	162,611	48,032
Interest expenses on amounts due to credit institutions	(916)	(440)
Interest expense on customers' deposits	(16,874)	(8,260)
Interest expenses on bonds issued	(5,250)	(6,094)
Interest expenses on amounts due to the NBU	(3,717)	-
Interest expenses	(26,757)	(14,794)
Commission income	18,925	1,696
Commission expenses	(39)	(49)
Translation differences	73,537	6,579
Other operating income	34	
Measurement of financial instruments	-	(59)
Other operating and administrative expenses	(109)	(55)

The aggregate remuneration and other benefits paid to eleven members of the Management Board for six-month period ended 30 June 2008 is UAH 15,965 thousand (UAH 685 thousand payment to non-state pension fund) (six-month period ended 30 June 2007: UAH 8,747 thousand (UAH 292 thousand payment to non-state pension fund).

All transactions with related parties have been effected on the same terms, conditions and amounts as transactions between unrelated parties.

16. Capital adequacy

The Eximbank's capital adequacy ratio, computed in accordance with the Basel Capital Accord 1988, with subsequent amendments including the amendment to incorporate market risks, as at 30 June 2008 and 31 December 2007, comprised:

	<i>30 June 2008 (unaudited)</i>	<i>31 December 2007</i>
Tier 1 capital	2,415,773	2,048,368
Tier 2 capital	1,279,713	1,081,496
Total capital	3,695,486	3,129,864
 Risk weighted assets	 29,617,304	 24,056,671
Tier 1 capital ratio	8.16%	8.51%
Total capital ratio	12.48%	13.01%

17. Subsequent events

In June 2008, the Shareholder of the Group made a decision to increase share capital by UAH 99,999 thousand. In August 2008, UAH 60,000 thousand were received in cash but not yet registered with Ukrainian authorities.