Joint-Stock Bank Citibank (Ukraine)

Financial Statements
December 31, 2007 and 2006

These financial statements contain 41 pages

Contents

(in thousands of US dollars)	*Note*	**2007**	2006
Interest income	*4*	**37,968**	25,132
Interest expense	*4*	**(14,183)**	(10,570)
Net interest income		**23,785**	14,562
Non-interest income			
Fee and commission income	*5*	**2,347**	1,988
Net income from securities available-for-sale		**248**	117
Net income from trading securities	*6*	**105**	442
Net foreign exchange income		**14,408**	11,682
Other income		**208**	185
		17,316	14,414
Non-interest expense			
Fee and commission expense		**(899)**	(491)
Salary and employee benefits	*7*	**(6,007)**	(4,233)
General administrative expenses	*8*	**(5,846)**	(4,985)
		(12,752)	(9,709)
Income before income tax		**28,349**	19,267
Income tax expense	*9*	**(7,210)**	(4,342)
Net income		**21,139**	14,925
Net unrealised gain on available-for-sale securities, net of tax effect	*25*	**1,189**	(135)
Other comprehensive income		**1,189**	(135)
Comprehensive income		**22,328**	14,790

See accompanying notes to the financial statements.

(in thousands of US dollars)	*Note*	**2007**	2006
Assets			
Cash		**1,525**	1,324
Due from the National Bank of Ukraine	*10*	**34,164**	21,226
Deposit certificates issued by the National Bank of Ukraine	*11*	**74,833**	-
Placements with other banks	*12*	**151,918**	122,944
Trading securities	*13*	**8,577**	9,996
Securities available-for-sale	*14*	**31,803**	38,744
Loans	*15*	**434,965**	336,571
Deferred tax assets	*22*	**903**	360
Property, equipment and intangible assets, net	*16*	**7,758**	7,536
Other assets	*17*	**832**	767
Total assets		**747,278**	539,468
Liabilities			
Deposits and balances from other banks	*18*	**326,030**	178,787
Current accounts	*19*	**213,975**	125,304
Deposit accounts	*20*	**71,987**	164,790
Subordinated loan	*21*	**-**	9,031
Deferred tax liabilities	*22*	**2,254**	2,378
Other liabilities	*23*	**54,694**	3,168
Total liabilities		**668,940**	483,458
Stockholders' equity			
Common stock - 10,000 shares authorized, issued and outstanding with a par value each of UAH 5,000	*24*	**24,522**	24,522
Additional paid in capital		**5,015**	5,015
Accumulated other comprehensive loss, net	*25*	**(14,248)**	(15,437)
Retained earnings		**63,049**	41,910
Total stockholders' equity		**78,338**	56,010
Total liabilities and stockholders' equity		**747,278**	539,468

See accompanying notes to the financial statements.

(in thousands of US dollars)	**Common Stock**	**Additional paid-in-capital**	**Accumulated other comprehensive income (loss)**	**Retained earnings**	**Total**
Balance as of January 1, 2007	**24,522**	**5,015**	**(15,437)**	**41,910**	**56,010**
Net income	**-**	**-**	**-**	**21,139**	**21,139**
Net unrealised gain on available-for-sale securities, net of tax effect of USD (396)	**-**	**-**	**1,189**	**-**	**1,189**
Comprehensive income					**22,328**
Balance as of December 31, 2007	**24,522**	**5,015**	**(14,248)**	**63,049**	**78,338**

(in thousands of US dollars)	**Common Stock**	**Additional paid-in-capital**	**Accumulated other comprehensive income (loss)**	**Retained earnings**	**Total**
Balance as of January 1, 2006	24,522	5,015	(15,302)	26,985	41,220
Net income	-	-	-	14,925	14,925
Net unrealised gain on available-for-sale securities, net of tax effect of USD 45	-	-	(135)	-	(135)
Comprehensive income					14,790
Balance as of December 31, 2006	24,522	5,015	(15,437)	41,910	56,010

See accompanying notes to the financial statements.

(in thousands of US dollars)	**2007**	2006
Cash flows from operating activities		
Interest received	**40,252**	24,984
Interest paid	**(13,920)**	(9,909)
Fees and commissions received	**2,347**	1,988
Fees and commissions paid	**(899)**	(491)
Net receipts from foreign exchange	**13,850**	12,008
Operating expenses paid, net	**(10,537)**	(7,434)
Income tax paid	**(7,099)**	(3,892)
	23,994	17,254
Changes in operating assets and liabilities		
Decrease (increase) in deposit certificates issued by the National Bank of Ukraine	**(74,263)**	13,861
Increase in placements with other banks	**(123,176)**	(6,372)
Decrease (increase) in trading securities	**1,407**	(4,922)
Decrease (increase) in of available-for-sale securities	**8,312**	(104)
Increase in loans	**(102,962)**	(158,519)
Decrease (increase) in other assets	**(10)**	1
Increase in deposits and balances from other banks	**145,654**	50,576
Increase (decrease) in current and deposit accounts	**(2,166)**	135,826
Increase (decrease) in other liabilities	**49,890**	(142)
Net cash (used in) from operating activities	**(73,320)**	47,459
Cash flows from investing activities		
Purchases of property, equipment and intangible assets	**(981)**	(1,919)
Proceeds from disposals of property, equipment and intangible assets	**7**	-
Net cash used in investing activities	**(974)**	(1,919)
Cash flows used in financing activities		
Repayment of (proceeds from) subordinated loan	**(9,000)**	9,000
Net cash (used in) from financing activities	**(9,000)**	9,000

See accompanying notes to financial statements.

(in thousands of US dollars)	***Note***	**2007**	2006
Effect of exchange rates changes on cash		**209**	739
Net increase in cash and cash equivalents		**(83,085)**	55,279
Cash and cash equivalents as of January 1		**124,543**	69,264
Cash and cash equivalents as of December 31	*31*	**41,458**	124,543

See accompanying notes to financial statements.

1 Background

(a) Organization and operations

Joint-Stock Bank Citibank (Ukraine) (the Bank) was established in Ukraine as a joint stock bank on March 19, 1998 and was registered by the National Bank of Ukraine (NBU) on May 11, 1998. The Bank provides banking services primarily to corporate clients operating in different industries. The activities of the Bank are regulated by the NBU. The Bank is located at 16-g Dimitrova Street, Kiev, Ukraine.

The Bank is a 100% subsidiary of the financial corporation Citigroup, Inc. (67% of its capital stock is owned by Citibank Overseas Investment corporation and 33% is owned by Citicorp Leasing International, Inc.).

(b) Ukrainian business environment

Ukraine is experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in Ukraine involve risks that do not typically exist in other markets. These financial statements reflect management's current assessment of the possible impact of the Ukrainian business environment on the operations and the financial position of the Bank. The future business environment may differ from management's assessment. The impact of such differences on the operations and the financial position may be significant.

2 Basis of preparation

(a) Statement of compliance

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP).

(b) Functional and reporting currency and foreign currency translation

Management determined the functional currency to be the Ukrainian hryvnia (UAH) as it reflects the primary economic environment in which the Bank operates.

The reporting currency for these financial statements is the US dollar (USD), rounded to the nearest thousand. The financial statements are translated into the USD in accordance with Statement of Financial accounting Standard (SFAS) No. 52, *Foreign Currency Translation.* Accordingly, for the purposes of presenting these financial statements in USD, all UAH amounts are translated to USD as follows: (1) monetary assets and liabilities denominated in UAH at the balance sheet dates are translated into USD at the closing exchange rate ruling at that date; (2) equity is stated at historical cost, and is translated to USD at the foreign exchange rate ruling at the date of the transaction; (3) income and expense items are translated at the exchange rates that approximate exchange rates at the dates of the transactions; (4) all resulting translation adjustments are reported in other comprehensive income.

Transactions in foreign currencies are translated into the functional currency at the rates of exchange prevailing at the date of the transaction. Resulting gains or losses from settlement of such foreign currency transactions are included in the income statement. Unsettled monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange prevailing at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Transaction gains or losses arising from changes in exchange rates between the date of transaction and period end exchange rates are included in the income statement.

The principal UAH exchange rates used in the preparation of these financial statements as of December 31 are as follows:

Currency	**2007**	2006
US Dollar	**5.050**	5.050
Euro (EUR)	**7.419**	6.651

As of the date of these financial statements, May 20, 2008, the exchange rates are UAH 5.050 to USD 1.00 and UAH 7.866 to Euro 1.00.

The average rates of exchange for the years ended December 31, 2007 and 2006 are 1 USD = 5.05 and 1 USD = 5.05 UAH, respectively.

The exchange rates applied are the official exchange rates of the National Bank of Ukraine.

(c) Convertibility of the Ukrainian hryvnia

The Ukrainian hryvnia is not a convertible currency outside the Ukraine and, accordingly, the translation of Ukrainian hryvnia amounts to US dollars should not be construed as a representation that Ukrainian hryvnia amounts have been, could be, or will be in the future, convertible into US dollars at the exchange rate shown, or at any other exchange rate.

3 Summary of significant accounting policies

The following significant accounting policies are consistently applied in the preparation of these financial statements.

(a) Use of estimates

The preparation of the financial statements in conformity with US GAAP requires management to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the period. The most significant item subject to such estimates and assumptions is the valuation allowance for loans. Actual results could differ from those estimates.

(b) Interest income and interest expense

Interest income and expense are recognized on an accrual basis. Interest on non-performing assets is not accrued. Non-performing assets are those assets in respect of which management believes that the contractual interest or principal due will not be collected. Interest due on loans of this nature is recorded in the income statements when received

(c) Allowance for loan losses

The allowance for loan losses represents management's estimate of probable losses inherit in the portfolio and is estimated based on previous experience and considering the credit standing of the underlying customers, late payments of interest or penalties and the realizable value of any collateral. Impairment is measured as the present value of expected future cash flows discounted at the loan's original interest rate. Additions to the allowance are made through a charge to the income statement.

(d) Cash and cash equivalents

Cash and cash equivalents consist of cash, nostro accounts and deposits with the NBU, and current accounts due from banks, all of which have an original maturity of less than 90 days.

(e) Interest bearing liabilities

Interest-bearing borrowings are recognized initially at cost, net of any transaction costs incurred. Subsequent to initial recognition, interest-bearing liabilities are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings.

(f) Investment securities

Securities with readily determinable fair vales are classified as trading, available-for-sale, or held-to-maturity based on management intent. The specific identification method is used for determining the cost basis of all such securities upon their sale or redemption.

Trading securities are bought and held principally for the purpose of selling them in the near term. Trading securities are recorded at their fair value. Unrealized holding gains and losses on trading securities are included in earnings.

Held-to-maturity securities are those securities that the Bank has the ability and intent to hold until maturity. Held-to-maturity securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums or discounts.

Premiums and discounts are amortized or accreted over the life of the related security held-to-maturity as an adjustment to yield using the effective-interest method. Interest income is recognized when earned.

Available-for-sale securities are those marketable securities not included in trading or held to maturity are classified as available for sale. Available-for-sale securities are recorded at their fair value. Unrealized holding gains and losses, net of the related tax effect, are excluded from earnings and are reported as a separate component of other comprehensive income until realized.

A decline in the market value of any available-for-sale or held-to-maturity security below cost is that is deemed to be other-than-temporary results in a reduction in carrying amount to fair value. The impairment is charged to earnings and a new cost basis for the security is established. To determine whether impairment is other-than-temporary, management considers whether it has the ability and intent to hold the investment until a market price recovery and considers whether evidence indicating the cost of the investment is recoverable outweighs evidence of the contrary. Evidence considered in this assessment includes the reasons for the impairment, the severity and the duration of the impairment, changes in value subsequent to year-end, and forecasted performance of the investee.

(g) Property, equipment and intangible assets

(i) Owned assets

Items of property, equipment and intangible assets are stated at cost less accumulated depreciation and amortization and impairment losses.

Where an item of property, equipment and intangible assets comprises major components having different useful lives, they are accounted for as separate items of property, equipment and intangible assets.

(ii) Leased assets

Leases under which the Bank assumes substantially all the risks and rewards of ownership are classified as capital leases. Property and equipment acquired by way of capital lease is stated at an amount equal to the lower of its fair value or the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Payments for operating leases, under which the Bank does not assume substantially all the risks and rewards of ownership, are expensed as lease payments are incurred.

(iii) Depreciation and amortization

Depreciation and amortization on property, equipment and intangible assets is charged to the income statement on a straight-line basis over the estimated useful lives of the individual assets. Property and equipment acquired under capital leases and leasehold improvements are amortized on a straight-line basis over the shorter of the lease term or estimated useful life of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. The estimated useful lives are as follows:

Buildings	50 years
Computers	3 years
Furniture and equipment	4 to 5 years
Vehicles	4 years
Leasehold assets	3 to 5 years
Intangible assets	2 to 5 years

(h) Impairment of long-lived assets

In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-lived Assets*, long-lived assets, such as property, equipment, and purchased intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet.

(i) Stockholders' equity

(i) Dividends

The ability of the Bank to declare and pay dividends is subject to the rules and regulations of the NBU and other Ukrainian legislation. Dividends are recognized as a liability in the period in which they are declared.

(ii) Comprehensive income

Comprehensive income generally encompasses all changes in shareholder's equity (except those arising from transactions with owners) and includes net income, net unrealized gains or losses on available-for-sale securities and foreign currency translation adjustments.

(j) Income taxes

Income tax consists of current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred income taxes are accounted for under the balance sheet method in accordance with SFAS No. 109, *Accounting for Income Taxes*. Deferred tax assets and liabilities are recognized for temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

A valuation allowance is recognized against deferred tax assets whenever, based on the weight of evidence, management believes its is more likely than not that more portion or all of the deferred tax asset will not be realized.

(k) Employee benefits

Employee benefits are provided by the State through mandatory contributions by the Bank and employees. The cost for these contributions, which is recognized when incurred, is included in the caption "Salary and employee benefits".

(l) Share option plan

Certain employees of the Bank participate in a share option plan that, based on certain conditions, allows them to purchase shares of Citigroup, Inc. This share plan is administered by Citigroup, Inc. and the expense associated with this plan is calculated and allocated to the Bank.

(m) Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

(n) Income and expense recognition

Interest income and expense are recognized on an accrual basis calculated using the effective interest method.

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with any related direct costs, are deferred and amortized to interest income over the estimated live of the financial instrument using the effective interest rate method.

(o) Corresponding figures

Certain reclassifications are made to the balance sheet as of December 31, 2006 in order to conform to the current year’s presentation.

Accrued interest income previously classified in other assets is reclassified to placements with other banks, trading securities, securities available-for-sale and loans. Accrued interest expense, previously included in other liabilities, is reclassified to deposits and balances from other banks, deposit accounts and subordinated loan.

The effect of these reclassifications is as follows:

(in thousands of US dollars)	2006
Increase in	
Placements with other banks	30
Trading securities	179
Securities available-for-sale	446
Loans	2,716
Deposits and balances from other banks	207
Deposit accounts	660
Subordinated loan	31
Decrease in	
Other assets	(3,371)
Other liabilities	(898)

4 Interest income and interest expense

Interest income for the years ended December 31 is as follows:

(in thousands of US dollars)	**2007**	2006
Loans	**24,311**	20,549
Placements with other banks	**7,318**	1,629
Securities available-for-sale	**3,601**	2,249
Trading securities	**2,020**	422
Deposit certificates issued by the NBU	**714**	283
Other	**4**	-
Total	**37,968**	25,132

Interest expense for the years ended December 31 is as follows:

(in thousands of US dollars)	**2007**	2006
Current accounts and deposits from customers	**10,650**	8,540
Deposits and balances from other banks	**3,472**	1,822
Subordinated loan	**61**	208
Total	**14,183**	10,570

5 Fee and commission income

Fee and commission income for the years ended December 31 is as follows:

(in thousands of US dollars)	**2007**	2006
Cash and settlement transactions	**1,809**	1,633
Guarantees issued and other off-balance sheet transactions	**215**	136
Other	**323**	219
Total	**2,347**	1,988

6 Net result from trading securities

The net result from trading securities for the years ended December 31 is as follows:

(in thousands of US dollars)	**2007**	2006
Realized gain	**205**	473
Unrealized loss	**(100)**	(31)
Total	**105**	442

7 Salaries and employee benefits

Salaries and employee benefits for the years ended December 31 are as follows:

(in thousands of US dollars)	**2007**	2006
Salaries and employee benefits	**5,457**	3,805
Amortization of stock option plan costs	**550**	428
Total	**6,007**	4,233

8 General administrative expenses

General administrative expenses for the years ended December 31 are as follows:

(in thousands of US dollars)	**2007**	2006
Software license fees	**1,827**	775
Depreciation and amortization	**710**	548
Travel and entertainment	**585**	481
Mail and communication	**544**	1,054
Professional services	**511**	187
Maintenance of fixed assets	**495**	421
Operating lease	**428**	225
Office supply	**233**	144
Occupancy costs	**175**	120
Security	**72**	73
Other taxes, excluding income taxes	**7**	355
Other	**259**	602
Total	**5,846**	4,985

9 Income tax expense

Income tax expense the years ended December 31 is as follows:

(in thousands of US dollars)	**2007**	2006
Current	**8,273**	4,285
Deferred – origination and reversal of timing differences	**(1,063)**	57
Total	**7,210**	4,342

The applicable corporate income tax rate is 25% for the years ended December 31, 2007 and 2006. The reconciliation of the effective tax rate follows:

(in thousands of US dollars)	**2007**	**%**	2006	**%**
Income before income tax	**28,349**	**100%**	19,267	100%
Income tax using the applicable tax rate	**7,087**	**25%**	4,817	25%
Non-deductible (non taxable) items	**123**	**-**	(475)	(2%)
Total	**7,210**	**25%**	4,342	23%

10 Due from the National Bank of Ukraine

Included in due from the National Bank of Ukraine is an obligatory reserve balance. The obligatory reserve balance is a mandatory non-interest bearing deposit calculated in accordance with regulations issued by the NBU and whose withdrawal is restricted. The obligatory reserve balance is based on the average of certain attracted funds over a period of one month. The obligatory reserve amounts to USD 12,453 thousand and USD 9,961 thousand for the one month periods ended December 31, 2007 and 2006, respectively. The Bank meets NBU requirements as of December 31, 2007 and 2006.

11 Deposit certificates issued by the National Bank of Ukraine

Deposit certificates in 2007 are represented by 375 deposit certificates issued by the NBU of UAH 1,000,000 par value each and maturing between January 14, 2008 and September 22, 2008. Nominal interest rates for these securities range from 5.0% to 8.0% per annum depending on maturity.

12 Placements with other banks

Placements with other banks as of December 31 are as follows:

(in thousands of US dollars)	**2007**	2006
Deposits	**146,149**	20,951
Nostro accounts	**5,769**	101,993
Total	**151,918**	122,944

As of December 31, 2007 and 2006 USD 45,602 thousand and USD 102,040 thousand or 30.0% and 83.0%, respectively, of total placements with other banks are represented by placements with other Citigroup entities.

As of December 31, 2007 and 2006 placements with domestic banks amounting to USD 14,300 thousand and USD 12,000 thousand, respectively, are effectively secured by deposits placed by the same domestic banks in a different currency (refer to note 18).

13 Trading securities

As of December 31, 2007 trading securities amounting to USD 8,577 thousand are represented by 42,000 debt securities issued by the Ukrainian banks denominated in UAH, and with a UAH 1,000 par value each. These debt securities mature between October 9, 2009 and September 30, 2010. Nominal interest rates for these securities range from 10.5% to 13.0% per annum depending on maturity. The weighted average effective interest rate for these securities as of December 31, 2007 is 11.2 % per annum.

As of December 31, 2006 trading securities amounting to USD 9,996 thousand are represented by 49,500 debt securities issued by the Ukrainian banks denominated in UAH, and with a UAH 1,000 par value each. These debt securities mature between December 11, 2008 and July 14, 2011. Nominal interest rates for these securities ranged from 10.0% to 13.0% per annum depending on maturity. The weighted average effective interest rate for these securities as of December 31, 2006 was 12.4% per annum.

14 Securities available-for-sale

Available-for sale securities as of December 31 are as follows:

(in thousands of Ukrainian hryvnias)	**Cost**	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value (carrying value)**
Treasury bills available-for-sale as of December 31, 2007	**30,611**	**1,192**	**-**	**31,803**
Treasury bills available-for-sale as of December 31, 2006	39,137	26	(419)	38,744

As of December 31, 2007 available-for-sale securities are represented by government securities with maturity dates between September 2, 2009 and December 30, 2009. Nominal interest rates for these securities range from 9.4% to 11.9% per annum depending on maturity. The weighted average effective interest rate for these securities as of December 31, 2007 is 9.5% per annum.

As of December 31, 2006 available-for-sale securities were represented by government securities with maturity dates between January 2, 2008 and December 30, 2009. Nominal interest rates for these securities ranged from 9.4% to 11.9% per annum depending on maturity. The weighted average effective interest rate for these securities as of December 31, 2006 is 10.0% per annum.

15 Loans

Loans as of December 31 are as follows:

(in thousands of US dollars)	**2007**	2006
Commercial	**433,179**	335,807
Retail	**1,786**	764
Total	**434,965**	336,571

(i) Business segments

Loans are issued primarily to customers located within Ukraine who operate in the following economic sectors:

(in thousands of US dollars)	**2007**	2006
Retail	**1,786**	764
Commercial:		
Trade	**176,408**	128,704
Food	**66,135**	32,920
Manufacturing	**52,456**	42,885
Chemistry	**42,135**	24,162
Metallurgy	**31,096**	20,124
Mineral production	**16,358**	8,191
Tobacco industry	**15,400**	35,036
Communication	**10,099**	18,073
Rubber and plastic production	**7,054**	3,890
Ore extraction	**3,334**	2,609
Oil exploration and refining	**-**	7,238
Transportation	**-**	1,317
Other	**12,704**	10,658
Total	**434,965**	336,571

As of December 31, 2007 and 2006 retail loans relate primarily to loans to Bank's employees.

(ii) Significant credit exposures

As of December 31, 2007 and 2006 loans to the ten largest borrowers amount to USD 214,392 thousand and USD 177,463 thousand, or 49.3% and 52.7% of gross loans, respectively.

16 Property, equipment and intangible assets

A summary of activity in property, equipment and intangible assets in 2007 is as follows:

(in thousands of US dollars)	Buildings and leasehold improve-ments	Computers	Furniture and equipment	Vehicles	Intangible assets	Construc-tion in progress	Total
Cost							
January 1, 2007	5,644	1,743	1,414	378	733	854	10,766
Additions	-	103	61	197	-	620	981
Transfers	111	384	(347)	(13)	-	(135)	-
Disposals	-	(223)	(33)	(129)	-	-	(385)
December 31, 2007	5,755	2,007	1,095	433	733	1,339	11,362
Accumulated depreciation							
January 1, 2007	538	1,282	909	75	426	-	3,230
Depreciation and amortization	115	241	142	98	114	-	710
Transfers	-	268	(319)	51	-	-	-
Disposals	-	(223)	(33)	(80)	-	-	(336)
December 31, 2007	653	1,568	699	144	540	-	3,604
Net book value as of December 31, 2007	5,102	439	396	289	193	1,339	7,758

A summary of activity in property, equipment and intangible assets in 2006 is as follows:

(in thousands of US dollars)	**Buildings and leasehold improve-ments**	**Computers**	**Furniture and equipment**	**Vehicles**	**Intangible assets**	**Construc-tion in progress**	**Total**
Cost							
January 1, 2006	5,607	1,374	905	278	756	-	8,920
Additions	37	392	509	100	27	854	1,919
Disposals	-	(23)	-	-	(50)	-	(73)
December 31, 2006	5,644	1,743	1,414	378	733	854	10,766
Accumulated depreciation							
January 1, 2006	420	1,160	770	46	359	-	2,755
Depreciation and amortization	118	145	139	29	117	-	548
Disposals	-	(23)	-	-	(50)	-	(73)
December 31, 2006	538	1,282	909	75	426	-	3,230
Net book value as of December 31, 2006	5,106	461	505	303	307	854	7,536

17 Other assets

Other assets as of December 31 are as follows:

(in thousands of US dollars)	**2007**	2006
Deferred expenses	**439**	310
Other	**393**	457
Total	**832**	767

18 Deposits and balances from other banks

Deposits and balances from other banks as of December 31 are as follows:

(in thousands of US dollars)	**2007**	2006
Term deposits	**274,930**	175,814
Vostro accounts	**51,100**	2,973
Total	**326,030**	178,787

As of December 31, 2007 and 2006 USD 225,243 thousand and USD 153,895 thousand or 69.1% and 86.1%, respectively, of the total of deposits and balances from banks are represented by deposits from other Citigroup entities.

As of December 31, 2007 and 2006 placements with domestic banks amounting to USD 14,300 thousand and USD 12,000 thousand, respectively, are effectively secured by deposits placed by the same domestic banks in a different currency (refer to note 12).

19 Current accounts

Current accounts as of December 31 are as follows:

(in thousands of US dollars)	**2007**	2006
Corporate	**212,722**	124,612
Retail	**1,253**	692
Total	**213,975**	125,304

As of December 31, 2007 and 2006 current accounts of USD 1,383 thousand and USD 1,686 thousand, respectively, are blocked as collateral for loans and off-balance sheet credit instruments granted by the Bank.

As of December 31, 2007 and 2006 current accounts of USD 80,309 thousand and USD 49,721 thousand, representing 37.5% and 39.7% of the total current accounts, respectively, are due to the ten largest customers.

20 Deposit accounts

Deposit accounts as of December 31 are as follows:

(in thousands of US dollars)	**2007**	2006
Corporate	**71,987**	164,790
Total	**71,987**	164,790

As of December 31, 2007 and 2006 deposits of USD 68,539 thousand and USD 156,951 thousand, representing 95.2% and 95.2% of the total deposit accounts, respectively, are due to the ten largest customers.

21 Subordinated loan

In August 2006, the Bank received a long-term subordinated loan from Citibank Overseas Investment Corporation with a nominal value of USD 9,000 thousand bearing interest at LIBOR + 0.5% payable on a monthly basis. This subordinated loan originally matured in 2014 and did not contain any share conversion terms.

The subordinated loan was fully repaid in February 2007.

22 Deferred tax assets and liabilities

The balance sheet classification of deferred taxes as of December 31 is as follows:

(in thousands of US dollars)	**2007**	2006
Deferred tax asset	**903**	360
Deferred tax liability	**(2,254)**	(2,378)
Net deferred tax liability	**(1,351)**	(2,018)

The movement in temporary differences for the year ended December 31, 2007 is as follows:

(in thousands of US dollars)	**January 1, 2007** Asset (liability)	**Recognized in income** Benefit (charge)	**Recognized in equity** Benefit (charge)	**December 31, 2007** Asset (liability)
Provision for impairment and estimated losses:				
Loans	**(1,337)**	**425**	**-**	**(912)**
Due from banks	**(32)**	**32**	**-**	**-**
Due to banks	**52**	**219**	**-**	**271**
Other assets	**(492)**	**482**	**-**	**(10)**
Other liabilities	**308**	**324**	**-**	**632**
Property, equipment and intangible assets	**(264)**	**(76)**	**-**	**(340)**
Securities available-for-sale, trading securities and deposit certificates issued by the National Bank of Ukraine	**(253)**	**(343)**	**(396)**	**(992)**
Total	**(2,018)**	**1,063**	**(396)**	**(1,351)**

The movement in temporary differences for the year ended December 31, 2006 is as follows:

(in thousands of US dollars)	**January 1, 2006** Asset (liability)	**Recognized in income** Benefit (charge)	**Recognized in equity** Benefit (charge)	**December 31, 2006** Asset (liability)
Provision for impairment and estimated losses:				
Loans	(1,046)	(291)	-	(1,337)
Due from banks	-	(32)	-	(32)
Other assets	(303)	(189)	-	(492)
Due to banks	47	5	-	52
Other liabilities	297	11	-	308
Property, equipment and intangible assets	(230)	(34)	-	(264)
Securities available-for-sale, trading securities and deposit certificates issued by the National Bank of Ukraine	(771)	473	45	(253)
Total	(2,006)	(57)	45	(2,018)

23 Other liabilities

Other liabilities as of December 31 are as follows:

(in thousands of US dollars)	**2007**	2006
Share capital contributions not yet registered with NBU	**50,000**	-
Accrued bonuses to employees	**1,476**	1,233
Income tax payable	**1,524**	350
Stock option plan payable	**1,129**	609
Deferred income	**183**	250
Accrued expenses for professional services	**113**	-
Taxes payable other than income tax	**27**	75
Accrued expenses on mail and communication services	**-**	533
Other	**242**	118
	54,694	3,168

24 Stockholders’ equity

Capital stock as of December 31, 2007 and 2006 comprises 10,000 thousand common shares with a par value of UAH 5,000 per share.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general meetings of the Bank. The amount of dividend is determined and approved at the annual general meeting.

25 Accumulated other comprehensive income

The movement in other comprehensive income for the year ended December 31, 2007 is as follows:

	Cumulative translation adjustment	Unrealized holding gain (losses) on available for sale securities	Accumulated other comprehensive income
Balance at January 1, 2007	**(15,142)**	**(295)**	**(15,437)**
Net unrealised gain on available-for-sale securities, net of tax effect of USD	**-**	**1,189**	**1,189**
Balance at December 31, 2007	**(15,142)**	**894**	**(14,248)**

	Before tax amount	Tax effect	Net of tax amount
Cumulative translation adjustment	**(15,142)**	**-**	**(15,142)**
Unrealized gains (losses) on securities available-for-sale	**1,192**	**(298)**	**894**
Balance at December 31, 2007	**(13,950)**	**(298)**	**(14,248)**

The movement in other comprehensive income for the year ended December 31, 2006 is as follows:

	Cumulative translation adjustment	Unrealized holding losses on available for sale securities	Accumulated other comprehensive income
Balance at January 1, 2006	(15,142)	(160)	(15,302)
Net unrealised gain on available-for-sale securities, net of tax effect of USD 45	-	(135)	(135)
Balance at December 31, 2006	(15,142)	(295)	(15,437)

	Before tax amount	Tax effect	Net of tax amount
Cumulative translation adjustment	(15,142)	-	(15,142)
Unrealized gains (losses) on securities available-for-sale	(393)	98	(295)
Balance at December 31, 2006	(15,535)	98	(15,437)

26 Risk management

Management of risk is fundamental to the business of banking and is an essential element of operations. The major risks are those related to credit exposures, liquidity and movements in interest rates and foreign exchange rates. These risks are managed in the following manner:

(a) Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Bank.

The Bank has developed policies and procedures for the management of credit exposures, including guidelines to limit portfolio concentration and the establishment of an Assets and Liabilities Committee that actively monitors credit risk.

The credit policy is reviewed and approved by the Board of Directors.

(b) Interest rate risk

Interest rate risk is measured by the extent to which changes in market interest rates impact on margins and net interest income. To the extent the term structure of interest bearing assets differs from that of liabilities, net interest income will increase or decrease as a result of movements in interest rates.

Interest rate risk is managed by increasing or decreasing positions within limits specified by management. These limits restrict the potential effect of movements in interest rates on current earnings and on the value of interest sensitive assets and liabilities.

The interest rate policy is reviewed and approved by the Board of Directors.

(c) Liquidity risk

Liquidity risk arises in the general funding of activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

Management continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall strategy. In addition, the Bank holds a portfolio of liquid assets as part of its liquidity risk management strategy.

The Bank maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due.

The liquidity policy is reviewed and approved by the Board of Directors.

(d) Foreign exchange rate risk

The Bank has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency. Management establishes limits and constantly monitors foreign currency positions in accordance with the regulations of the NBU and internally developed methodology.

The foreign currency policy is reviewed and approved by the Board of Directors.

27 Off-balance sheet credit commitments

(a) Guarantees and letters of credit

The Bank issues guarantees on behalf of its customers. These instruments bear a credit risk similar to that of loans granted. The contractual amounts outstanding as of December 31 are as follows and are shown based on the contractual maturity of the instrument:

(in thousands of US dollars)	**2007**	2006
Guarantees maturing in:		
2007	**-**	12,539
2008	**16,122**	93
2009	**627**	255
After 2009	**166**	148
Total	**16,915**	13,035

As of December 31, 2007 and 2006, guarantees amounting to USD 465 thousand and USD 334 thousand, respectively, are cash collateralized.

(b) Import letters of credit

As of December 31, 2007 and 2006 the Bank issued import letters of credit amounting to USD 11,862 thousand and 10,595 thousand that mature in 2008 and 2007, respectively.

As of December 31, 2007 and 2006 import letters of credit are not cash collateralized.

(c) Export letters of credit

As of December 31, 2007 and 2006, the Bank issued export letters of credit amounting to USD 1,191 thousand and USD 250 thousand that mature in 2008 and 2007, respectively.

The total outstanding contractual amount of guarantees and letters of credit do not necessarily represent future cash requirements, as many of these commitments may expire or terminate without being funded. The contractual maturity of the instruments described above is the latest date that the Bank may be called to honor its obligation under the instrument.

(d) Undrawn loan commitments

As of December 31, 2007 and 2006 the Bank did not have undrawn loan commitments.

28 Obligations under operating leases

Future minimum operating lease payments as of December 31 are as follows:

(in thousands of US dollars)	**2007**	2006
Future minimum lease payments:		
2007	**-**	228
2008	**150**	109
2009	**78**	42
2010	**57**	33
2011	**57**	32
Remainder	**878**	492
Total minimum lease payments	**1,220**	936

The Bank leases land and a number of other premises under operating leases. The leases typically run for an initial period of five years. None of the leases include contingent rentals.

During 2007 and 2006, USD 428 thousand and USD 225 thousand is recognized as lease expense, respectively.

29 Contingencies

(a) Insurance

The insurance industry in Ukraine is in a developing state and many forms of insurance protection common in other countries are not yet generally available. The Bank does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of damage arising from accidents on Bank property or relating to operations. Until the Bank obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the operations and financial position.

(b) Litigation

Management is unaware of any significant actual, pending or threatened claims against the Bank.

(c) Taxation contingencies

The Ukrainian tax system can be characterized by numerous taxes and frequently changing legislation. Tax regulations are often unclear, open to wide interpretation, and in some instances are conflicting. Instances of inconsistent opinions between local, regional and national tax authorities and between the National Bank of Ukraine and the Ministry of Finance are not unusual. Tax declarations are subject to review and investigation by a number of authorities that are enacted by law to impose significant penalties and interest charges. These facts create tax risks in Ukraine substantially more significant than typically found in countries with more developed tax systems.

Management believes that it has provided adequately for tax liabilities. However, the relevant tax authorities could take a different position and the effect on these financial statements, if the authorities were successful in enforcing their position, could be significant.

30 Related party transactions

A significant proportion of the Bank's transactions are with banks that are directly or indirectly owned by Citigroup, Inc., and a significant portion of its funding is from, and its credit exposures are to, other Citigroup entities.

The outstanding balances and the average interest rates thereon as of December 31 with other Citigroup entities are as follows:

(in thousands of US dollars)	**2007**	**Average Interest Rate**	2006	Average Interest Rate
Placements with other banks				
Nostro accounts	**5,386**	**-**	102,040	-
Deposits	**40,216**	**4.7%**	-	-
Loans				
Loans to directors, senior management and employees	**1,786**	**3.0%**	764	3.0%

(in thousands of US dollars)	**2007**	**Average Interest Rate**	2006	Average Interest Rate
Deposits and balances from other banks				
Vostro accounts	**80**	**-**	**-**	-
Term deposits	**225,163**	**5.1%**	153,895	5.0%
Subordinated loan	**-**	**-**	9,031	5.8%
Other liabilities				
Accrued expenses	**99**	**-**	40	-

Related party amounts included in the income statements and accumulated other comprehensive income for the years ended December 31 are as follows:

(in thousands of US dollars)	**2007**	2006
Income Statement:		
Interest income	**2,369**	278
Interest expense	**(3,099)**	(1,538)
Net interest expense	**(730)**	(1,260)
Fee and commission expense	**(737)**	(200)
General and administration expenses	**(1,948)**	(900)
Non-interest expense	**(2,685)**	(1,100)

31 Cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the statement of cash flow are composed of the following items:

(in thousands of US dollars)	**2007**	2006
Cash	**1,525**	1,324
Due from the NBU	**34,164**	21,226
Placements with other banks - nostro accounts	**5,769**	101,993
Total	**41,458**	124,543

32 Fair value of financial instruments

SFAS No. 107, *Disclosures about Fair Value of Financial Instruments,* requires disclosure of the fair value of financial instruments.

The fair value of financial instruments may be determined by one of several generally accepted methods, including quoted market prices (if the instruments are traded in an active and liquid market), or, in markets where there is infrequent activity, with reference to the current market value of other instruments with similar characteristics to those being valued or discounted cash flow analysis using "a discount rate commensurate with the risks involved" (indicator interest rates). In cases where it is not practicable to determine, within the constraints of timeliness or cost, the fair value of a financial instrument with sufficient reliability that fact should be disclosed.

The following table presents the carrying amounts and estimated fair values of the Bank's financial instruments as of December 31 for which fair value could be determined within the constraints of timeliness and cost. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realizable in an immediate sale of the assets or settlement of liabilities.

(in thousands of US dollars)	**2007** **Carrying amount**	**Fair value**	2006 Carrying amount	Fair value
Due from the National Bank of Ukraine	**34,164**	**34,164**	21,226	21,226
Deposit certificates issued by the National Bank of Ukraine	**74,833**	**74,833**	-	-
Placements with other banks	**151,918**	**151,918**	122,944	122,944
Trading securities	**8,577**	**8,577**	9,996	9,996
Securities available-for-sale	**31,803**	**31,803**	38,744	38,744
Loans	**434,965**	**434,965**	336,571	336,571
Deposits and balances from other banks	**(326,030)**	**(326,030)**	(178,787)	(178,787)
Current accounts	**(213,975)**	**(213,975)**	(125,304)	(125,304)
Deposits accounts	**(71,987)**	**(71,987)**	(164,790)	(164,790)
Subordinated loan	**-**	**-**	(9,031)	(6,576)

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Due from the National Bank of Ukraine, deposit certificates issued by the National Bank of Ukraine and placements with other banks: the carrying amounts approximate fair value because of the short maturity of these instruments.

Trading and available-for-sale securities: these are valued at fair value and the fair values are based on quoted market prices.

Loans: the carrying amount approximates the fair value because of their short term nature and market interest rates at year end.

Deposits and balances from other banks, current accounts and deposit accounts: the carrying amounts approximate fair value because of the short maturity of these liabilities.

33 Average effective interest rates

The table below displays interest bearing assets and liabilities as of December 31 and their corresponding average effective interest rates as of that date. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2007				2006			
	UAH	**USD**	**EURO**	**Other curren-cies**	UAH	USD	EURO	Other curren-cies
Deposit certificates issued by the National Bank of Ukraine	**6.3%**	**-**	**-**	**-**	-	-	-	-
Placements with other banks								
Nostro accounts	**0%**	**0%**	**0%**	**0%**	-	0%	0%	0%
Deposits	**9.7%**	**7.1%**	**-**	**-**	5.4%	4.9%	2.8%	3.1%
Trading securities	**11.2%**	**-**	**-**	**-**	12.4%	-	-	-
Securities available-for-sale	**9.5%**	**-**	**-**	**-**	10.0%	-	-	-
Loans	**9.1%**	**6.8%**	**6.6%**	**8.4%**	12.5%	7.5%	6.5%	-
Deposits and balances from other banks								
Vostro accounts	**0%**	**-**	**-**	**-**	0%	-	-	-
Term deposits	**7.2%**	**5.1%**	**4.9%**		2.4%	4.6%	3.2%	-
Current accounts	**1.8%**	**0.6%**	**0.4%**	**-**	0.5%	0%	0%	0%
Deposit accounts	**5.7%**	**4.0%**	**3.4%**	**-**	6.7%	3.5%	2.3%	-
Subordinated loan	**-**	**-**	**-**	**-**	-	5.8%	-	-

34 Maturity analysis

The following tables show assets and liabilities by remaining contractual maturity dates as of December 31, 2007:

(in thousands of US dollars)	Within one month	From one to three months	From three to six months	From six months to one year	More than one year	No maturity	**Total**
Assets							
Cash	**1,525**	**-**	**-**	**-**	**-**	**-**	**1,525**
Due from the National Bank of Ukraine	**34,164**	**-**	**-**	**-**	**-**	**-**	**34,164**
Deposit certificates issued by the National Bank of Ukraine	**40,026**	**10,002**	**-**	**24,805**	**-**	**-**	**74,833**
Placements with other banks	**75,905**	**75,978**	**35**	**-**	**-**	**-**	**151,918**
Trading securities	**75**	**144**	**-**	**-**	**8,358**	**-**	**8,577**
Securities available-for-sale	**26**	**206**	**-**	**-**	**31,571**	**-**	**31,803**
Loans	**261,892**	**78,876**	**45,131**	**47,318**	**1,748**	**-**	**434,965**
Deferred tax asset	**903**	**-**	**-**	**-**	**-**	**-**	**903**
Property, equipment and intangible assets	**-**	**-**	**-**	**-**	**-**	**7,758**	**7,758**
Other assets	**441**	**97**	**110**	**184**	**-**	**-**	**832**
Total assets	**414,957**	**165,303**	**45,276**	**72,307**	**41,677**	**7,758**	**747,278**
Liabilities							
Deposits and balances from other banks	**97,887**	**22,990**	**20,081**	**185,072**	**-**	**-**	**326,030**
Current accounts	**213,975**	**-**	**-**	**-**	**-**	**-**	**213,975**
Deposit accounts	**54,925**	**15,067**	**1,995**	**-**	**-**	**-**	**71,987**
Deferred tax liability	**922**	**-**	**-**	**-**	**992**	**340**	**2,254**
Other liabilities	**4,694**	**-**	**-**	**50,000**	**-**	**-**	**54,694**
Total liabilities	**372,403**	**38,057**	**22,076**	**235,072**	**992**	**340**	**668,940**
Liquidity gap for the period	**42,554**	**127,246**	**23,200**	**(162,765)**	**40,685**	**7,418**	**78,338**
Net position as of December 31, 2007	**42,554**	**169,800**	**193,000**	**30,235**	**70,920**	**78,338**	**-**

The following tables show assets and liabilities by remaining contractual maturity dates as of December 31, 2006:

(in thousands of US dollars)	Within one month	From one to three months	From three to six months	From six months to one year	More than one year	No maturity	**Total**
Assets							
Cash	1,324	-	-	-	-	-	1,324
Due from the National Bank of Ukraine	21,226	-	-	-	-	-	21,226
Placements with other banks	122,944	-	-	-	-	-	122,944
Trading securities	126	53	-	-	9,817	-	9,996
Securities available-for-sale	247	199	-	-	38,298	-	38,744
Loans	133,607	154,815	31,475	13,048	3,626	-	336,571
Deferred tax asset	360	-	-	-	-	-	360
Property, equipment and intangible assets	-	-	-	-	-	7,536	7,536
Other assets	684	19	12	-	52	-	767
Total assets	280,518	155,086	31,487	13,048	51,793	7,536	539,468
Liabilities							
Deposits and balances from other banks	114,932	-	-	63,855	-	-	178,787
Current accounts	125,304	-	-	-	-	-	125,304
Deposit accounts	151,056	12,706	-	1,028	-	-	164,790
Subordinated loan	-	-	-	-	9,031	-	9,031
Deferred tax liability	1,861	-	-	-	253	264	2,378
Other liabilities	2,743	375	36	14	-	-	3,168
Total liabilities	395,896	13,081	36	64,897	9,284	264	483,458
Liquidity gap for the period	(115,378)	142,005	31,451	(51,849)	42,509	7,272	56,010
Net position as of December 31, 2006	(115,378)	26,627	58,078	6,229	48,738	56,010	-

35 Currency analysis

The following table shows the currency structure of assets and liabilities of December 31, 2007:

(in thousands of US dollars)	UAH	USD	EURO	Other currencies	**Total**
Assets					
Cash	**504**	**459**	**457**	**105**	**1,525**
Due from the National Bank of Ukraine	**34,164**	**-**	**-**	**-**	**34,164**
Deposit certificates issued by the National Bank of Ukraine	**74,833**	**-**	**-**	**-**	**74,833**
Placements with other banks	**87,816**	**58,886**	**1,014**	**4,202**	**151,918**
Trading securities	**8,577**	**-**	**-**	**-**	**8,577**
Securities available-for-sale	**31,803**	**-**	**-**	**-**	**31,803**
Loans	**194,329**	**192,809**	**46,739**	**1,088**	**434,965**
Deferred tax asset	**903**	**-**	**-**	**-**	**903**
Property, equipment and intangible assets	**7,758**	**-**	**-**	**-**	**7,758**
Other assets	**322**	**452**	**58**	**-**	**832**
Total assets	**441,009**	**252,606**	**48,268**	**5,395**	**747,278**
Liabilities					
Deposits and balances from other banks	**80,180**	**215,997**	**29,718**	**135**	**326,030**
Current accounts	**186,025**	**20,897**	**1,941**	**5,112**	**213,975**
Deposit accounts	**63,506**	**6,910**	**1,571**	**-**	**71,987**
Deferred tax liability	**2,254**	**-**	**-**	**-**	**2,254**
Other liabilities	**54,653**	**39**	**2**	**-**	**54,694**
Total liabilities	**386,618**	**243,843**	**33,232**	**5,247**	**668,940**
Net long position	**54,391**	**8,763**	**15,036**	**148**	**78,338**

The following table shows the currency structure of assets and liabilities of December 31, 2006:

(in thousands of US dollars)	UAH	USD	EURO	Other currencies	**Total**
Assets					
Cash	314	636	172	202	1,324
Due from the National Bank of Ukraine	21,226	-	-	-	21,226
Placements with other banks	8,888	100,160	11,975	1,921	122,944
Trading securities	9,996	-	-	-	9,996
Securities available-for-sale	38,744	-	-	-	38,744
Loans	132,674	173,897	30,000	-	336,571
Deferred tax asset	360	-	-	-	360
Property, equipment and intangible assets	7,536	-	-	-	7,536
Other assets	413	301	53	-	767
Total assets	220,151	274,994	42,200	2,123	539,468
Liabilities					
Deposits and balances from other banks	24,891	130,118	23,778	-	178,787
Current accounts	74,566	37,562	11,439	1,737	125,304
Deposit accounts	60,517	101,852	2,421	-	164,790
Subordinated loan	-	9,031	-	-	9,031
Deferred tax liability	2,378	-	-	-	2,378
Other liabilities	3,064	103	1	-	3,168
Total liabilities	165,416	278,666	37,639	1,737	483,458
Net long (short) position	54,735	(3,672)	4,561	386	56,010

36 Capital adequacy

Capital adequacy is calculated under the methodology set out by the Bank for International Settlements in the Basle Accord, using the definition of capital adopted by the NBU. Tier I capital is represented by common stock, additional paid in capital, accumulated other comprehensive loss and retained earnings. Tier II capital includes the subordinated loan.

As at December 31, 2006 the total capital adequacy ratio calculated in accordance with the Basle Accord is 13.1% and Tier I ratio is 13.1% (December 31, 2006: 13.7% and 11.8%, respectively).

Nadir Shaikh	Svetlana Dehtyar
Chairman of the Board	Chief Accountant

May 20, 2008

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Independent Auditors' Report

To the Board of Management of
Joint-Stock Bank Citibank (Ukraine)

We have audited the accompanying balance sheet of Joint-Stock Bank Citibank (Ukraine) (the Bank) as of December 31, 2007 and 2006 and the related statements of income and comprehensive income, stockholders' equity and comprehensive income, and cash flows for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

We were unable to satisfy ourselves as to the accuracy of the amounts related to the Bank's ultimate parent company's stock option plan included in other assets stated at USD 41 and USD 71 thousand and other liabilities stated at USD 1,129 and USD 609 thousand as of December 31, 2007 and 2006, respectively, and salaries and employee benefits of USD 550 and USD 428 thousand and related tax effects for the years ended December 31, 2007 and 2006, respectively.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves in respect of the matter described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Bank as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

CJSC KPMG Audit

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May 20, 2008