

Joint-Stock Bank Citibank (Ukraine)

Financial Statements
December 31, 2008 and 2007

These financial statements contain 44 pages

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Joint-Stock Bank Citibank (Ukraine)
Statements of income and other comprehensive income
for the years ended December 31, 2008 and 2007

<i>(in thousands of US dollars)</i>	<i>Note</i>	2008	2007
Interest income	4	73,988	37,968
Interest expense	4	(19,579)	(14,183)
Net interest income		54,409	23,785
Non-interest income			
Fee and commission income	5	2,920	2,347
Net income from securities available-for-sale		-	248
Net (loss) income from trading securities	6	(1,740)	157
Net result from revaluation of foreign exchange derivative financial instruments		6,628	(52)
Net foreign exchange income		53,460	14,408
Other income		214	208
		61,482	17,316
Non-interest expense			
Fee and commission expense		(1,154)	(899)
Salary and employee benefits	7	(5,862)	(6,007)
General administrative expenses	8	(7,027)	(5,846)
		(14,043)	(12,752)
Income before income tax		101,848	28,349
Income tax expense	9	(25,202)	(7,210)
Net income		76,646	21,139
Net unrealised gain on available-for-sale securities, net of tax effect	25	(3,580)	1,189
Foreign currency translation adjustment	25	(51,699)	-
Other comprehensive income		(55,279)	1,189
Comprehensive income		21,367	22,328

See accompanying notes to the financial statements.

Joint-Stock Bank Citibank (Ukraine)
Balance sheets as of December 31, 2008 and 2007

<i>(in thousands of US dollars)</i>	<i>Note</i>	2008	2007
Assets			
Cash		1,533	1,525
Due from the National Bank of Ukraine	10	10,704	34,164
Deposit certificates issued by the National Bank of Ukraine	11	61,075	74,833
Placements with other banks	12	131,704	151,918
Trading securities	13	2,897	8,577
Securities available-for-sale	14	34,585	31,803
Foreign exchange derivative financial instruments – assets	15	14,844	250
Loans	16	403,568	434,965
Deferred tax assets	22	4,255	903
Property, equipment and intangible assets, net	17	5,002	7,758
Other assets	18	4,260	582
Total assets		<u>674,427</u>	<u>747,278</u>
Liabilities			
Deposits and balances from other banks	19	61,759	326,030
Foreign exchange derivative financial instruments – liabilities	15	10,160	22
Current accounts	20	343,979	213,975
Deposit accounts	21	136,698	71,987
Deferred tax liabilities	22	5,081	2,254
Other liabilities	23	2,885	54,672
Total liabilities		<u>560,562</u>	<u>668,940</u>
Stockholders' equity			
Common and preferred stock, 13,300 shares authorized, issued and outstanding with a par value each of UAH 5,000 as of December 31, 2008 (Common stock, 10,000 shares authorized, issued and outstanding with a par value each of UAH 5,000 as of December 31, 2007)	24	26,801	24,522
Additional paid-in capital		37,618	5,015
Accumulated other comprehensive loss, net	25	(69,527)	(14,248)
Retained earnings		118,973	63,049
Total stockholders' equity		<u>113,865</u>	<u>78,338</u>
Total liabilities and stockholders' equity		<u>674,427</u>	<u>747,278</u>

See accompanying notes to the financial statements.

Joint-Stock Bank Citibank (Ukraine)
Statements of stockholders' equity and comprehensive income
for the years ended December 31, 2008 and 2007

	Number of shares in Common and Preferred Stock	Common and Preferred Stock	Additional paid-in capital	Accumulated other comprehen- sive income (loss)	Retained earnings	Total
<i>(in thousands of US dollars)</i>						
Balance as of January 1, 2008	10,000	24,522	5,015	(14,248)	63,049	78,338
Net income	-	-	-	-	76,646	76,646
Net unrealised loss on available-for-sale securities, net of tax effect of USD 1,193	-	-	-	(3,580)	-	(3,580)
Foreign currency translation adjustment	-	-	-	(51,699)	-	(51,699)
Comprehensive income						<u>21,367</u>
Issue of shares	3,300	2,279	32,603	-	-	34,882
Dividends declared on common stock for 2007, USD 2,072.2 per share	-	-	-	-	(20,722)	(20,722)
Balance as of December 31, 2008	<u>13,300</u>	<u>26,801</u>	<u>37,618</u>	<u>(69,527)</u>	<u>118,973</u>	<u>113,865</u>

	Number of shares in Common Stock	Common Stock	Additional paid-in- capital	Accumu- lated other comprehen- sive income (loss)	Retained earnings	Total
<i>(in thousands of US dollars)</i>						
Balance as of January 1, 2007	10,000	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						<u>22,328</u>
Balance as of December 31, 2007	<u>10,000</u>	<u>24,522</u>	<u>5,015</u>	<u>(14,248)</u>	<u>63,049</u>	<u>78,338</u>

See accompanying notes to the financial statements.

Joint-Stock Bank Citibank (Ukraine)
Statements of cash flows for the years ended December 31, 2008 and 2007

	2008	2007
<i>(in thousands of US dollars)</i>		
Cash flows from operating activities		
Interest received	69,394	40,252
Interest paid	(18,320)	(13,920)
Fees and commissions received	3,056	2,347
Fees and commissions paid	(1,236)	(899)
Net receipts from foreign exchange and trading securities	39,850	13,850
Operating expenses paid, net	(11,440)	(10,537)
Income tax paid	(29,873)	(7,099)
	51,431	23,994
<i>Changes in operating assets and liabilities</i>		
Increase in deposit certificates issued by the National Bank of Ukraine	(18,030)	(74,263)
Decrease (increase) in placements with other banks	6,789	(123,176)
Decrease in trading securities	2,565	1,407
(Increase) decrease in available-for-sale securities	(26,480)	8,312
Increase in loans	(78,228)	(102,962)
Increase in other assets	(575)	(10)
(Decrease) increase in deposits and balances from other banks	(246,123)	145,654
Increase (decrease) in current and deposit accounts	345,290	(2,166)
(Decrease) increase in other liabilities	(12,563)	49,890
	24,076	(73,320)
Cash flows from investing activities		
Purchases of property, equipment and intangible assets	(589)	(981)
Proceeds from disposals of property, equipment and intangible assets	-	7
	(589)	(974)
Cash flows used in financing activities		
Repayment of subordinated loan	-	(9,000)
Dividends paid	(20,722)	-
	(20,722)	(9,000)

See accompanying notes to financial statements.

Joint-Stock Bank Citibank (Ukraine)
Statements of cash flows for the years ended December 31, 2008 and 2007
(continued)

<i>(in thousands of US dollars)</i>	<i>Note</i>	2008	2007
Effect of exchange rates changes on cash		8,769	209
Net increase in cash and cash equivalents		11,534	(83,085)
Cash and cash equivalents as of January 1		41,458	124,543
Cash and cash equivalents as of December 31	<i>31</i>	52,992	41,458

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

Financial markets

Ukraine is experiencing political and economic change that has affected, and may continue to affect, the activities of entities operating in this environment. Consequently, operations in Ukraine involve risks that do not typically exist in other markets. In addition, the recent contraction in the capital and credit markets has further increased the level of economic uncertainty in the environment. The financial statements reflect management's assessment of the 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 ongoing global liquidity crisis has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the Ukrainian banking sector, and higher interbank lending rates. The uncertainties in the global financial market have also led to bank failures and bank rescues around the world. Such circumstances could affect the ability of the Bank to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions. Loan customers may also be affected by the lower liquidity situation which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for the Bank's borrowers may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets.

The uncertainty in the global markets combined with other local factors during 2008 has led to a very significant fall in terms of prices and volume of trades in the Ukrainian stock markets and at times much higher than normal bid/ask spreads.

The market turmoil also resulted in the withdrawal of deposits from Ukrainian banks prior to their original maturity dates and closure of current accounts by individuals. As a result, many Ukrainian banks experienced liquidity shortages, and a number have been placed under NBU administration as a result.

The NBU's response

On October 11, 2008 the NBU adopted Resolution 319 "On Additional Measures on Bank's Operations" that requires lending operations and investment portfolios of Ukrainian banks to be capped at the amount of such operations as of October 13, 2008, except for dealing in government securities, NBU certificates of deposit, and interbank placements. On October 16, 2008, the NBU adopted Resolution 328 "Amendments to Resolution of the NBU 319 as of October 11, 2008" requiring lending operations in foreign currencies to borrowers who have no foreign currency receipts to be capped by the amount of such operations as of October 13, 2008. On December 4, 2008 the NBU adopted Resolution 413 "On Certain Issues of Banking Activities" that replaced Resolution of the NBU 319 of October 11, 2008. Furthermore, the NBU requires that Ukrainian banks repay liabilities to all categories of counterparties under all types of agreements in all currencies on the contractual maturity dates only. Therefore, since October 11, 2008, depositors are not able to withdraw their funds prior to the stated maturity dates of these deposits. On May 12, 2009 the NBU issued Resolution 282 which lifted the ban on early redemption of liabilities.

In response to ongoing crisis the NBU is taking a variety of other measures that may impact the Bank's operations and financial position. Such measures include, among other things, regulations over foreign exchange operations, and extended requirements for shareholders to increase share capital or provide additional financing in the form of subordinated loans. There has recently been more active application by the NBU of its regulation #369 "On Adoption of Resolution on Applying Banking Law Enforcement Measures" dated August 28, 2001. Under this regulation, in case of continuing violation of certain required indicators including such ratios as regulatory capital adequacy and liquidity and further worsening of the financial position, the NBU may apply measures such as introduction of temporary administration, temporary removal from office of key management personnel, limitations of rights of majority shareholders, withdrawal of banking licenses, and liquidation of a bank. Under these measures, a moratorium on payments to creditors for at least a six-month period may be introduced that would limit a bank's ability to conduct activities in the normal course of business.

Management is unable to reliably estimate the effects on the Bank's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and liquidity position of the Bank's business in the current circumstances.

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	2008	2007
US Dollar	7.700	5.050
Euro (EUR)	10.855	7.419

As of the date of these financial statements, July 9, 2009, the exchange rates are UAH 7.6245 to USD 1.00 and UAH 10.5988 to Euro 1.00.

The average rates of exchange for the years ended December 31, 2008 and 2007 are 1 USD = 5.269 and 1 USD = 5.050 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 allowance for loans losses. 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 inherent 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 including guarantees. 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 values 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. 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 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
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 method.

(o) Derivative Instruments

The Bank accounts for derivatives and hedging activities in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Certain Hedging Activities*, as amended, which requires entities to recognize all derivative instruments as either assets or liabilities in the balance sheet at their respective fair values.

Derivative financial instruments include foreign exchange swaps only.

Changes in the fair value of derivatives are recognized immediately in the statements of income and other comprehensive income.

Although the Bank trades in derivative instruments for risk hedging purposes, these instruments do not qualify for hedge accounting.

(p) Fair Value Measurements

On January 1, 2008, the Bank adopted the provisions SFAS No. 157, *Fair Value Measurements*, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS No. 157 also establishes a framework for measuring fair value and expands disclosures about fair value measurements (refer to note 32).

(q) Corresponding figures

Certain reclassifications are made to the statement of income and other comprehensive income and balance sheet and as of and for the year ended December 31, 2007 in order to conform to the current year's presentation.

Net result from revaluation of foreign exchange derivative financial instruments was previously classified in net income from trading securities. Assets and liabilities arising on foreign exchange derivative financial instruments were previously included in other assets and liabilities, respectively.

The effect of these reclassifications on statement of income and other comprehensive income is as follows:

	2007
<i>(in thousands of US dollars)</i>	
Increase in	
Net income from trading securities	52
Decrease in	
Net result from revaluation of foreign exchange derivative financial instruments	(52)

The effect of these reclassifications on balance sheet is as follows:

	2007
<i>(in thousands of US dollars)</i>	
Increase in	
Foreign exchange derivative financial instruments – assets	250
Foreign exchange derivative financial instruments – liabilities	22
Decrease in	
Other assets	(250)
Other liabilities	(22)

4 Interest income and interest expense

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

	2008	2007
<i>(in thousands of US dollars)</i>		
Loans	52,638	24,311
Placements with other banks	13,023	7,318
Securities available-for-sale	5,042	3,601
Deposit certificates issued by the NBU	2,277	714
Trading securities	1,008	2,020
Other	-	4
Total	73,988	37,968

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

	2008	2007
<i>(in thousands of US dollars)</i>		
Current accounts and deposits from customers	13,659	10,650
Deposits and balances from other banks	5,920	3,472
Subordinated loan	-	61
Total	<u>19,579</u>	<u>14,183</u>

5 Fee and commission income

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

	2008	2007
<i>(in thousands of US dollars)</i>		
Cash and settlement transactions	2,098	1,809
Guarantees issued and other off-balance sheet transactions	405	215
Other	417	323
Total	<u>2,920</u>	<u>2,347</u>

6 Net result from trading securities

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

	2008	2007
<i>(in thousands of US dollars)</i>		
Realized (loss) gain	(373)	205
Unrealized loss	(1,367)	(48)
Total	<u>(1,740)</u>	<u>157</u>

7 Salaries and employee benefits

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

	2008	2007
<i>(in thousands of US dollars)</i>		
Salaries and employee benefits	5,636	5,457
Amortization of stock option plan costs	226	550
Total	5,862	6,007

8 General administrative expenses

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

	2008	2007
<i>(in thousands of US dollars)</i>		
Management fees	2,569	1,827
Depreciation and amortization	713	710
Maintenance of fixed assets	568	495
Operating lease	551	428
Mail and communication	500	544
Travel and entertainment	376	585
Professional services	358	511
Other taxes, excluding income taxes	318	7
Office supply	238	233
Occupancy costs	195	175
Security	77	72
Other	564	259
Total	7,027	5,846

9 Income tax expense (benefit)

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

	2008	2007
<i>(in thousands of US dollars)</i>		
Current	23,696	8,273
Deferred – origination and reversal of timing differences	1,506	(1,063)
Total	25,202	7,210

The applicable corporate income tax rate is 25% for the years ended December 31, 2008 and 2007. The reconciliation of the effective tax rate follows:

	2008	%	2007	%
<i>(in thousands of US dollars)</i>				
Income before income tax	101,848	100%	28,349	100%
Income tax using the applicable tax rate	25,462	25%	7,087	25%
Non-deductible (non taxable) items	(260)	-	123	-
Total	25,202	25%	7,210	25%

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 11,216 thousand and USD 12,453 thousand for the one month periods ended December 31, 2008 and 2007, respectively. The Bank meets NBU requirements as of December 31, 2008 and 2007.

11 Deposit certificates issued by the National Bank of Ukraine

As of December 31, 2008 deposit certificates amounting to USD 61,075 thousand are deposit certificates issued by the NBU of UAH 1,000,000 (equivalent to USD 129,870) par value each and maturing between January 9, 2009 and January 14, 2009. The nominal interest rates range from 21.0% to 25.0% per annum depending on maturity. The weighted average effective interest rate as of December 31, 2008 is 24.4 % per annum.

As of December 31, 2007 deposit certificates amounting to USD 74,833 thousand were represented by 375 deposit certificates issued by the NBU of UAH 1,000,000 (equivalent to USD 198,020) par value each that matured between January 14, 2008 and September 22, 2008. The nominal interest rates for these securities ranged from 5.0% to 8.0% per annum depending on maturity. The weighted average effective interest rate as of December 31, 2007 was 6.3 % per annum.

12 Placements with other banks

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

	2008	2007
<i>(in thousands of US dollars)</i>		
Deposits	90,949	146,149
Nostro accounts	40,755	5,769
Total	131,704	151,918

As of December 31, 2008 and 2007 USD 131,508 thousand and USD 45,602 thousand or 99.9% and 30.0%, respectively, of total placements with other banks are represented by placements with other Citigroup entities.

As of December 31, 2007 placements with domestic banks amounting USD 14,300 thousand are effectively secured by deposits placed by the same domestic banks in a different currency (refer to note 19).

13 Trading securities

As of December 31, 2008 trading securities amounting to USD 2,897 thousand are debt securities issued by Ukreximbank denominated in UAH, and with a UAH 1,000 (equivalent to USD 130) par value each. These debt securities mature on October 9, 2009. The nominal interest rate is 10.5% per annum. The weighted average effective interest rate as of December 31, 2008 is 70.0 % per annum.

As of December 31, 2007 trading securities amounting to USD 8,577 thousand were debt securities issued by Ukrainian banks denominated in UAH, and with a UAH 1,000 (equivalent to USD 198) par value each. These debt securities matured between October 9, 2009 and September 30, 2010. The nominal interest rates ranged from 10.5% to 13.0% per annum depending on maturity. The weighted average effective interest rate as of December 31, 2007 was 11.2 % per annum.

14 Securities available-for-sale

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

	Cost	Gross unrealized gains	Gross unrealized losses	Fair value (carrying value)
<i>(in thousands of Ukrainian hryvnias)</i>				
Treasury bills available-for-sale as of December 31, 2008	38,166	-	(3,581)	34,585
Treasury bills available-for-sale as of December 31, 2007	30,611	1,192	-	31,803

As of December 31, 2008 available-for-sale securities are government securities with maturity dates between April 1, 2009 and May 5, 2010. The nominal interest rates range from 6.5% to 14.0% per annum depending on maturity. The weighted average effective interest rate as of December 31, 2008 is 29.9% per annum.

As of December 31, 2007 available-for-sale securities were government securities with maturity dates between September 2, 2009 and December 30, 2009. The nominal interest rates ranged from 9.4% to 11.9% per annum depending on maturity. The weighted average effective interest rate as of December 31, 2007 was 9.5% per annum.

15 Foreign exchange derivative financial instruments

	2008			2007		
	Contract/ notional amount	Fair values Assets	Liabilities	Contract/ notional amount	Fair values Assets	Liabilities
<i>(in thousands of US dollars)</i>						
Currency swaps:						
Buy EUR sell USD	14,294	174	62	-	-	-
Buy UAH sell EUR	14,221	540	5,304	4,322	-	(22)
Buy UAH sell USD	26,478	-	4,794	-	-	-
Buy USD sell EUR	1,826	6	-	-	-	-
Buy USD sell GBP	145	-	-	-	-	-
Buy USD sell UAH	41,049	14,124	-	8,007	250	-
Total foreign exchange derivative financial instruments		14,844	(10,160)		250	(22)

16 Loans

Loans as of December 31 are as follows:

	2008	2007
<i>(in thousands of US dollars)</i>		
Commercial	401,556	433,179
Retail	2,012	1,786
	403,568	434,965
Total	403,568	434,965

(i) *Business segments*

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

	2008	2007
<i>(in thousands of US dollars)</i>		
Retail	2,012	1,786
Commercial:		
Trade	189,721	176,408
Manufacturing	50,259	52,456
Chemistry	49,795	42,135
Metallurgy	29,322	31,096
Food	28,677	66,135
Tobacco industry	16,602	15,400
Rubber and plastic production	8,733	7,054
Ore extraction	5,530	3,334
Mineral production	4,691	16,358
Communication	355	10,099
Other	17,871	12,704
	403,568	434,965
Total	403,568	434,965

As of December 31, 2008 and 2007 retail loans are primarily loans to employees.

(ii) *Significant credit exposures*

As of December 31, 2008 and 2007 loans to the ten largest borrowers amount to USD 202,078 thousand and USD 214,392 thousand, or 50.1% and 49.3% of gross loans, respectively.

17 Property, equipment and intangible assets

A summary of activity in property, equipment and intangible assets in 2008 is as follows:

	Buildings and leasehold improve- ments	Computers	Furniture and equipment	Vehicles	Intangible assets	Construc- tion in progress	Total
<i>(in thousands of US dollars)</i>							
Cost							
January 1, 2008	5,755	2,007	1,095	433	733	1,339	11,362
Additions	218	95	58	46	172	-	589
Transfers	1,283	-	-	-	-	(1,283)	-
Disposals	-	(366)	(2)	(40)	-	-	(408)
Translation adjustment	(2,455)	(606)	(394)	(151)	(307)	(56)	(3,969)
December 31, 2008	4,801	1,130	757	288	598	-	7,574
Accumulated depreciation							
January 1, 2008	653	1,568	699	144	540	-	3,604
Depreciation and amortization	127	220	145	100	121	-	713
Disposals	-	(366)	(2)	(40)	-	-	(408)
Translation adjustment	(265)	(494)	(286)	(68)	(224)	-	(1,337)
December 31, 2008	515	928	556	136	437	-	2,572
Net book value as of December 31, 2008	4,286	202	201	152	161	-	5,002

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

	Buildings and leasehold improve- ments	Computers	Furniture and equipment	Vehicles	Intangible assets	Construc- tion in progress	Total
<i>(in thousands of US dollars)</i>							
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

18 Other assets

Other assets as of December 31 are as follows:

	2008	2007
<i>(in thousands of US dollars)</i>		
Prepaid income tax	3,227	-
Deferred expenses	344	439
Other	689	143
	<hr/>	<hr/>
Total	4,260	582
	<hr/>	<hr/>

19 Deposits and balances from other banks

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

	2008	2007
<i>(in thousands of US dollars)</i>		
Term deposits	51,220	274,930
Vostro accounts	10,539	51,100
	<hr/>	<hr/>
Total	61,759	326,030
	<hr/>	<hr/>

As of December 31, 2008 and 2007 USD 25,036 thousand and USD 225,243 thousand or 40.5% and 69.1%, respectively, of the total of deposits and balances from banks are represented by deposits from Citigroup entities.

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

20 Current accounts

Current accounts as of December 31 are as follows:

	2008	2007
<i>(in thousands of US dollars)</i>		
Corporate	343,244	212,722
Retail	735	1,253
Total	<u>343,979</u>	<u>213,975</u>

As of December 31, 2008 and 2007 current accounts of USD 950 thousand and USD 1,383 thousand, respectively, are blocked as collateral for loans and off-balance sheet credit instruments granted by the Bank.

As of December 31, 2008 and 2007 current accounts of USD 210,080 thousand and USD 80,309 thousand, representing 61.1% and 37.5% of the total current accounts, respectively, are due to the ten largest customers.

21 Deposit accounts

Deposit accounts as of December 31 are as follows:

	2008	2007
<i>(in thousands of US dollars)</i>		
Corporate	136,698	71,987
Total	<u>136,698</u>	<u>71,987</u>

As of December 31, 2008 and 2007 deposits of USD 112,650 thousand and USD 68,539 thousand, representing 82.4% and 95.2% of the total deposit accounts, respectively, are due to the ten largest customers.

22 Deferred tax assets and liabilities

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

	2008	2007
<i>(in thousands of US dollars)</i>		
Deferred tax asset	4,255	903
Deferred tax liability	(5,081)	(2,254)
Net deferred tax liability	(826)	(1,351)

The movement in temporary differences for the year ended December 31, 2008 is as follows:

	January 1, 2008 Asset (liability)	Recognized in income Benefit (charge)	Recognized in equity Benefit (charge)	Translation difference	December 31, 2008 Asset (liability)
<i>(in thousands of US dollars)</i>					
Provision for impairment:					
Loans	(912)	(628)	-	512	(1,028)
Due from banks	-	(66)	-	21	(45)
Due to banks	271	125	-	(133)	263
Other assets	(10)	10	-	-	-
Other liabilities	632	287	-	(308)	611
Property, equipment and intangible assets	(340)	(108)	-	151	(297)
Securities available-for-sale, trading securities and deposit certificates issued by the National Bank of Ukraine	(992)	586	1,193	54	841
Foreign exchange derivative financial instruments – assets	-	(5,423)	-	1,712	(3,711)
Foreign exchange derivative financial instruments – liabilities	-	3,711	-	(1,171)	2,540
Total	(1,351)	(1,506)	1,193	838	(826)

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

	January 1, 2007	Recognized in income	Recognized in equity	December 31, 2007
	Asset (liability)	Benefit (charge)	Benefit (charge)	Asset (liability)
<i>(in thousands of US dollars)</i>				
Provision for impairment:				
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	<u>(2,018)</u>	<u>1,063</u>	<u>(396)</u>	<u>(1,351)</u>

23 Other liabilities

Other liabilities as of December 31 are as follows:

	2008	2007
<i>(in thousands of US dollars)</i>		
Stock option plan payable	868	1,129
Accrued management fees	774	-
Accrued bonuses to employees	495	1,476
Deferred income	213	183
Accrued expenses for professional services	185	113
Taxes payable other than income tax	58	27
Share capital contributions not yet registered with NBU	-	50,000
Income tax payable	-	1,524
Other	292	220
	<u>2,885</u>	<u>54,672</u>

24 Stockholders' equity

Capital stock as of December 31, 2008 comprises 10,000 common shares and 3,300 preferred shares with a par value of UAH 5,000 per share.

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

The holders of ordinary and preferred 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, 2008 is as follows:

	Cumulative translation adjustment	Unrealized holding gain (losses) on available for sale securities	Accumulated other comprehensive income
Balance at January 1, 2008	(15,142)	894	(14,248)
Net unrealised gain on available-for-sale securities, net of tax effect	-	(4,785)	(4,785)
Foreign currency translation adjustment	(51,699)	1,205	(50,494)
Balance at December 31, 2008	(66,841)	(2,686)	(69,527)
	Before tax amount	Tax effect	Net of tax amount
Cumulative translation adjustment	(66,841)	-	(66,841)
Unrealized gains (losses) on securities available-for-sale	(3,581)	895	(2,686)
Balance at December 31, 2008	(70,422)	895	(69,527)

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	-	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)

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:

<i>(in thousands of US dollars)</i>	2008	2007
Guarantees maturing in:		
2008	-	14,814
2009	26,393	1,935
2010	269	166
After 2010	30	-
	26,692	16,915
Total	26,692	16,915

As of December 31, 2008 and 2007, guarantees amounting to USD 15,392 thousand and USD 1,383 thousand, respectively, are cash collateralized.

(b) Import letters of credit

As of December 31, 2008 and 2007 the Bank issued import letters of credit amounting to USD 10,007 thousand and 11,862 thousand that mature in 2008 and 2007, respectively.

As of December 31, 2008 and 2007 import letters of credit are not cash collateralized.

(c) Export letters of credit

As of December 31, 2008 and 2007, the Bank issued export letters of credit amounting to USD 290 thousand and USD 1,191 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, 2008 and 2007 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:

<i>(in thousands of US dollars)</i>	2008	2007
<i>Future minimum lease payments:</i>		
2008	-	150
2009	135	78
2010	43	57
2011	43	57
2012	43	57
Remainder	620	821
Total minimum lease payments	885	1,220

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 2008 and 2007, USD 551 thousand and USD 428 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

As the result of the tax authorities' full-scope tax audit of the Bank's activities for the period from July 1, 2004 until June 30, 2007, the tax authorities challenged the Bank's approach regarding tax deductibility of the provision for off-balance sheet commitments. Consequently additional Corporate profit taxes were imposed in the amount of USD 7 thousand and penalties of USD 368 thousand. The Bank paid this additional tax and penalties in full.

The Bank appealed the above additional assessments of tax and the relevant penalties to the District Administrative Court in Kiev. In October, 2008 the Court ruled the case in favor of the tax authorities. In response, the Bank filed an appeal in December 2008. There has been no further progress in consideration of this case as of the date of issuance of these financial statements.

Except for the case described above, 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 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:

	2008	Average Interest Rate	2007	Average Interest Rate
<i>(in thousands of US dollars)</i>				
Placements with other banks				
Nostro accounts	40,708	-	5,386	-
Deposits	90,800	1.6%	40,216	4.7%
	<u>131,508</u>		<u>45,602</u>	
Foreign exchange derivative financial instruments – assets				
	180	-	-	-
Loans				
Loans to directors, senior management and employees	2,012	13.1%	1,786	10.0%
Deposits and balances from other banks				
Nostro accounts	36	-	80	-
Term deposits	25,000	0.3%	225,163	5.1%
Foreign exchange derivative financial instruments – liabilities				
	62	-	-	-
Other liabilities				
Accrued expenses	-	-	99	-

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

	2008	2007
<i>(in thousands of US dollars)</i>		
Income Statement:		
Interest income	3,063	2,369
Interest expense	(3,904)	(3,099)
Net interest expense	<u>(841)</u>	<u>(730)</u>
Fee and commission expense	(944)	(737)
Net result from revaluation of foreign exchange derivative financial instruments	118	-
General and administration expenses	(1,981)	(1,948)
Non-interest expense	<u>(2,807)</u>	<u>(2,685)</u>

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:

	2008	2007
<i>(in thousands of US dollars)</i>		
Cash	1,533	1,525
Due from the NBU	10,704	34,164
Placements with other banks - nostro accounts	40,755	5,769
	52,992	41,458
Total	52,992	41,458

32 Fair value of financial instruments

(i) Fair Value of Financial Instruments

The following table presents the carrying amounts and estimated fair values of the Bank's financial instruments at December 31, 2008 and 2007. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

	2008		2007	
	Carrying amount	Fair value	Carrying amount	Fair value
<i>(in thousands of US dollars)</i>				
Due from the National Bank of Ukraine	10,704	10,704	34,164	34,164
Deposit certificates issued by the National Bank of Ukraine	61,075	61,075	74,833	74,833
Placements with other banks	131,704	131,704	151,918	151,918
Trading securities	2,897	2,897	8,577	8,577
Securities available-for-sale	34,585	34,585	31,803	31,803
Foreign exchange derivative financial instruments – assets	14,844	14,844	250	250
Loans	403,568	403,568	434,965	434,965
Deposits and balances from other banks	(61,759)	(61,759)	(326,030)	(326,030)
Foreign exchange derivative financial instruments – liabilities	(10,160)	(10,160)	(22)	(22)
Current accounts	(343,979)	(343,979)	(213,975)	(213,975)
Deposits accounts	(136,698)	(136,698)	(71,987)	(71,987)

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 measured using quoted market prices multiplied by the quantity held when quoted market prices are available. If quoted market prices for those securities are not available, the fair value is determined using an income approach valuation technique (present value using the discount rate adjustment technique) that considers, among other things, interest rates, the issuer's credit spread, and illiquidity by sector and maturity.

Foreign exchange derivative financial instruments: these are valued at fair value and the fair values are measured using forward currency rates published by Reuters.

Loans: the carrying amount approximates the fair value because of their short term nature.

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.

(ii) Fair Value Hierarchy

The Bank adopted SFAS No. 157 on January 1, 2008 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. SFAS No. 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents assets and liabilities that are measured at fair value on a recurring basis at December 31, 2008:

	Fair value December 31, 2008	Fair Value Measurements at December 31, 2008 Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>(in thousands of US dollars)</i>				
Assets:				
Trading securities	2,897	-	-	2,897
Securities available-for-sale	34,585	9,890	24,695	-
Foreign exchange derivative financial instruments – assets	14,844	-	14,844	-
Total assets	52,326	9,890	39,539	2,897
Liabilities:				
Foreign exchange derivative financial instruments – liabilities	10,160	-	10,160	-
Total liabilities	10,160	-	10,160	-

The following table presents the activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in SFAS No. 157 for the year ended December 31, 2008:

	Trading securities
<i>(in thousands of US dollars)</i>	
Balance at December 31, 2007	6,084
Realized and unrealized losses included in net income from trading securities	(1,598)
Currency translation	(1,589)
Balance at December 31, 2008	2,897
Change in unrealized losses relating to trading securities held at December 31, 2008	(1,383)

The financial statements as of and for the year ended December 31, 2008 do not include any nonrecurring fair value measurements relating to assets or liabilities for which the Bank has adopted the provisions of SFAS No. 157.

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.

	2008				2007			
	UAH	USD	EURO	Other curren- cies	UAH	USD	EURO	Other curren- cies
Deposit certificates issued by the National Bank of Ukraine	24.4%	-	-	-	6.3%	-	-	-
Placements with other banks - <i>Deposits</i>	-	1.6%	-	-	9.7%	7.1%	-	-
Trading securities	70.0%	-	-	-	11.2%	-	-	-
Securities available-for-sale	29.9%	-	-	-	9.5%	-	-	-
Loans	39.0%	7.1%	8.2%	0%	9.1%	6.8%	6.6%	8.4%
Deposits and balances from other banks - <i>Term deposits</i>	24.7%	0.3%	-	-	7.2%	5.1%	4.9%	-
Current accounts	2.5%	0.4%	0.1%	1.1%	1.8%	0.6%	0.4%	-
Deposit accounts	22.3%	3.6%	2.2%	-	5.7%	4.0%	3.4%	-

34 Maturity analysis

The following tables show assets and liabilities by remaining contractual maturity dates as of December 31, 2008:

	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
<i>(in thousands of US dollars)</i>							
Assets							
Cash	1,533	-	-	-	-	-	1,533
Due from the National Bank of Ukraine	10,704	-	-	-	-	-	10,704
Deposit certificates issued by the National Bank of Ukraine	61,075	-	-	-	-	-	61,075
Placements with other banks	131,555	-	149	-	-	-	131,704
Trading securities	-	-	-	2,897	-	-	2,897
Securities available-for-sale	-	-	16,083	17,512	990	-	34,585
Foreign exchange derivative financial instruments – assets	3,549	5,827	4,314	1,154	-	-	14,844
Loans	225,936	124,140	42,371	9,124	1,997	-	403,568
Deferred tax asset	2,004	997	875	371	8	-	4,255
Property, equipment and intangible assets	-	-	-	-	-	5,002	5,002
Other assets	4,260	-	-	-	-	-	4,260
Total assets	440,616	130,964	63,792	31,058	2,995	5,002	674,427
Liabilities							
Deposits and balances from other banks	61,759	-	-	-	-	-	61,759
Foreign exchange derivative financial instruments – liabilities	1	78	3,851	6,230	-	-	10,160
Current accounts	343,979	-	-	-	-	-	343,979
Deposit accounts	90,818	27,009	16,989	1,882	-	-	136,698
Deferred tax liability	1,073	28	1,407	2,276	-	297	5,081
Other liabilities	2,885	-	-	-	-	-	2,885
Total liabilities	500,515	27,115	22,247	10,388	-	297	560,562
Liquidity gap for the period	(59,899)	103,849	41,545	20,670	2,995	4,705	113,865
Net position as of December 31, 2008	(59,899)	43,950	85,495	106,165	109,160	113,865	-

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

	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
<i>(in thousands of US dollars)</i>							
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
Foreign exchange derivative financial instruments – assets	-	66	-	184	-	-	250
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	31	110	-	-	-	582
Total assets	<u>414,957</u>	<u>165,303</u>	<u>45,276</u>	<u>72,307</u>	<u>41,677</u>	<u>7,758</u>	<u>747,278</u>
Liabilities							
Deposits and balances from other banks	97,887	22,990	20,081	185,072	-	-	326,030
Foreign exchange derivative financial instruments – liabilities	22	-	-	-	-	-	22
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	4,672	-	-	50,000	-	-	54,672
Total liabilities	<u>372,403</u>	<u>38,057</u>	<u>22,076</u>	<u>235,072</u>	<u>992</u>	<u>340</u>	<u>668,940</u>
Liquidity gap for the period	<u>42,554</u>	<u>127,246</u>	<u>23,200</u>	<u>(162,765)</u>	<u>40,685</u>	<u>7,418</u>	<u>78,338</u>
Net position as of December 31, 2007	<u>42,554</u>	<u>169,800</u>	<u>193,000</u>	<u>30,235</u>	<u>70,920</u>	<u>78,338</u>	<u>-</u>

35 Currency analysis

The following table shows the currency structure of assets and liabilities of December 31, 2008:

<i>(in thousands of US dollars)</i>	UAH	USD	EURO	Other currencies	Total
Assets					
Cash	457	634	373	69	1,533
Due from the National Bank of Ukraine	10,704	-	-	-	10,704
Deposit certificates issued by the National Bank of Ukraine	61,075	-	-	-	61,075
Placements with other banks	11	91,634	33,731	6,328	131,704
Trading securities	2,897	-	-	-	2,897
Securities available-for-sale	34,585	-	-	-	34,585
Foreign exchange derivative financial instruments – assets	14,844	-	-	-	14,844
Loans	251,197	137,723	14,648	-	403,568
Deferred tax asset	4,255	-	-	-	4,255
Property, equipment and intangible assets	5,002	-	-	-	5,002
Other assets	4,214	46	-	-	4,260
Total assets	389,241	230,037	48,752	6,397	674,427
Liabilities					
Deposits and balances from other banks	36,757	25,002	-	-	61,759
Foreign exchange derivative financial instruments – liabilities	10,160	-	-	-	10,160
Current accounts	156,537	159,387	26,775	1,280	343,979
Deposit accounts	89,390	28,456	18,852	-	136,698
Deferred tax liability	5,081	-	-	-	5,081
Other liabilities	2,675	210	-	-	2,885
Total liabilities	300,600	213,055	45,627	1,280	560,562
Net long on-balance position as of the balance sheet date	88,641	16,982	3,125	5,117	113,865
Long (short) off-balance position as of the balance sheet date	(350)	2,248	(1,753)	(145)	-
Net long on- and off-balance position as of the balance sheet date	88,291	19,230	1,372	4,972	113,865

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

	UAH	USD	EURO	Other currencies	Total
<i>(in thousands of US dollars)</i>					
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
Foreign exchange derivative financial instruments – assets	250	-	-	-	250
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	72	452	58	-	582
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
Foreign exchange derivative financial instruments – liabilities	22	-	-	-	22
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	54,631	39	2	-	54,672
Total liabilities	386,618	243,843	33,232	5,247	668,940
Net long on-balance position as of the balance sheet date	54,391	8,763	15,036	148	78,338
Long (short) off-balance position as of the balance sheet date	(3,685)	8,007	(4,322)	-	-
Net long on- and off-balance position as of the balance sheet date	50,706	16,770	10,714	148	78,338

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, 2008 the total capital adequacy ratio calculated in accordance with the Basle Accord is 18.2% and Tier I ratio is 18.2% (December 31, 2007: 13.1% and 13.1%, respectively).

37 Subsequent events

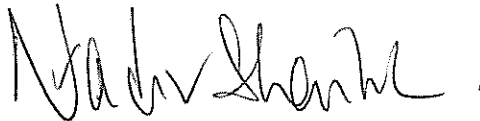
On March 10, 2009 and April 29, 2009 the Bank paid dividends for 2008 amounting to USD 18,101 thousand and USD 25,566 thousand, respectively.

Nadir Shaikh

Chairman of the Board

Dmitry Kuzmin

Acting Chief Accountant



July 9, 2009



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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, 2008 and 2007 and the related statements of 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 Bank'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 nil and USD 41 thousand and other liabilities stated at USD 868 and USD 1,129 thousand as of December 31, 2008 and 2007, respectively, and salaries and employee benefits of USD 226 and USD 550 thousand and related tax effects for the years ended December 31, 2008 and 2007, 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, 2008 and 2007, 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

CJSC KPMG Audit
July 9, 2009