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ISSUER CREDIT RATING REPORT LVIV 001-001

Company:	Lviv Joint Stock Commercial Bank, CJSC
Rating type:	Issuer credit rating according to the Ukrainian National Credit Rating Scale
Credit rating:	uaBBB
Outlook:	Stable
Assignment date:	June 26, 2007

RATING AGENCY REPORT ON THE ASSIGNMENT OF A CREDIT RATING FOR LVIV JSCB

Credit-Rating, a nationally-recognized credit rating agency in Ukraine, has assigned a credit rating for the Issuer according to the Ukrainian National Credit Rating Scale, which is indicated by the letters **ua** in the credit rating index. The National Credit Rating Scale allows for the evaluation of the distribution of credit risk in the Ukrainian economy, exclusive of sovereign risk. The National Credit Rating Scale is designed to be used by issuers of securities, obligors, financial institutions, mediators and investors in the Ukrainian financial market.

Source Information

In the course of the rating procedure, Credit-Rating used the consolidated financial statements of the Issuer for 2002-2006 and 1Q2007 as well as inside information provided by the Issuer. Information concerning all essential aspects of the Issuer's activity was analyzed.

The credit rating is based on the information provided by the Issuer and other information that was available to the rating agency and considered reliable. The credit rating level depends on the quality, uniformity and completeness of information that the rating agency has at its disposal.

Rating History

A credit rating according to National scale of debt instrument has been assigned to Lviv Joint Stock Commercial Bank, CJSC for the first time. The Issuer and its debt instruments have not been assigned a credit rating before.

Current Rating Definition

A credit rating of **uaBBB** is an investment grade rating, indicating an ADEQUATE CAPACITY of an obligor to pay both interest and principal on the given debt liability in the Ukrainian financial market environment. This rating indicates a level of creditworthiness that is more susceptible to adverse changes in commercial, financial and economic conditions than debt obligations with higher investment grade ratings.

A “**Stable**” outlook indicates that there are no anticipated reasons to change the rating in the course of the year.

A plus «+» and a minus «-» signs indicate an intermediary categories that are more or less favourably compared to the standard category.

Key Balance Sheet Indices, UAH

	01 Jan 03	01 Jan 04	01 Jan 05	01 Jan 06	01 Apr 06	01 Jul 06	01 Oct 06	01 Jan 07	01 Apr 07
Assets, UAH millions	59 781 083	69 557 877	94 370 996	101 521 193	101 452 407	116 821 461	128 563 861	179 184 959	196 528 573
Credit and investment portfolio, UAH millions	42 834 894	52 557 411	65 735 548	72 637 237	71 706 075	73 269 209	95 079 810	152 266 009	168 344 616
Deposits, UAH millions	27 008 065	39 204 176	48 515 660	62 512 952	57 415 310	57 182 889	57 214 879	103 102 061	114 503 301
Equity, UAH millions	19 866 755	23 580 812	28 729 125	29 307 659	29 666 458	45 101 447	59 790 114	60 274 824	60 958 170
Revenue, UAH millions	8 271 191	10 864 435	12 932 267	14 537 688	3 542 588	7 257 414	11 691 944	17 725 857	6 807 155
Expenditures, UAH millions. ¹	6 855 503	8 927 478	11 504 655	13 346 454	3 183 789	6 479 466	10 233 410	15 214 232	5 885 808
Income before tax	1 415 688	1 936 957	1 427 612	1 191 234	358 799	777 948	1 458 534	2 511 626	921 347
Net income	1 043 488	1 314 057	1 010 312	759 034	358 799	670 573	1 112 478	1 601 399	683 347
Return on assets (ROA)	1,97%	2,03%	1,23%	0,77%	-	-	-	1,14%	-
Return on equity (ROE)	5,60%	6,05%	3,86%	2,62%	-	-	-	3,58%	-

¹ Expenditures excluding income tax

Factors Maintaining a Credit Rating

- The bank is supported by the owners which favourably affects the capitalization level and promotes its development;
- The security level of the credit risks and active operations by equity is higher as compared to the banking system of Ukraine.
- The bank had high efficiency indices in recent years;
- Most of the bank's financial indices have positive values.

Factors Constraining a Credit Rating

- The bank has a large concentration of the credit portfolio and resource base by key contractors: as of April 01, 2007, the 20 largest borrowers held a 52% share of the credit portfolio and the 10 largest deposits held a 36% share of the general client deposits;
- Unbalanced structure of Bank's assets and liabilities by their redemption terms;
- There exists a risk to lose market share if other large scale banks expand their presence.

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Summary

The development of Lviv JSCB is characterized by medium growth rates and a gradual increase in the number of services. Active development of the regional network started in the year 2003, but the growth rates of the balance sheet total were low that affected the loss of market share by key indices. After the top level management was replaced and the portfolio investor, which held a 98% share of the stock as of April 01, 2007, was attracted, the bank's growth rates increased. The principal investor is New Progress Holding LLC, which deals with investment activities and belongs to two Icelandic companies - Vostock Holdings ehf and Hraunbjarg ehf. At the same time, the bank is controlled by the Icelandic bank - MP Investment Bank, which introduced its representative onto the bank's supervisory board.

The bank developed and introduced effective risk-management structure based on the references of the second Basel Committee. In addition, the bank uses the methods of GAP and VAP-analysis, duration control and estimation methods, and provides stress testing for controlling market risks. Credit risk management is based on the determination of the limits for making decisions for credit operations. The bank introduced the RAROC (risk assessment system).

Over the years 2002-2006, the bank had filed against it legal claims.. As a result of the examinations, carried out by the controlling bodies, some insignificant violations were detected. All accrued penalties were paid in time and in full.

As defined by the development level of the regional network, the bank is characterized as a regional one. Most of network is located in Lviv and its region and so the bank depends on the social and economic environment of the region.

The development level of the bank's card business and its service network is low: as of April 01, 2007 the bank had three own cash-machines and has issued 380 domestic and 140 international Visa and MasterCard charge cards respectively.

Over the analyzed period, the bank followed regulations provided by the NBU. The bank has a good capitalization level. Liquidity fluctuations have high values but these values are evidence of the bank's ability to reduce current risks due to the high-liquidity assets in the short-term period.

Increase of the bank's assets over the years 2003-2006 was supported by an increase of the stock capital (in 3Q2006), attraction of the subordinated debt and deposit cash from legal entities and individuals. The bank is well capitalized. Most of the equity consists of stock capital. Due to the increase of stock capital, active operation support indices were improved. Client cash is the key component of the resource base. However, there is a tendency to depend on the 20 biggest creditors which held a 50% share of liabilities as of April 01, 2007. The deposit portfolio is medium concentrated. The dependency on the inter-bank market in 2006 was low: passive balance of inter-bank operations was lower than 9%.

Lviv JSCB places cash, received from legal entities and individuals, in a credit portfolio, but the volume of securities and the granted/placed inter-bank loans/deposits is low (it is important to note that the securities in the bank's portfolio are high-liquidity). The credit portfolio reflects the bank's trend towards long-term lending for corporate clients, but together with low volumes of the balance sheet total, this caused the increased concentration of the credit portfolio (the 20 largest clients hold a 52% share of the portfolio structure).

Standard credit and credits "under control" dominate in the credit portfolio structure by the risk category. At the same time, the credits are secured mostly by nongovernmental securities and real estate. The bank's assets are of a good quality: the volume of bad and doubtful credits is at an allowable level. Share of negative assets has admissible volume and is covered by the formed reserves share of which is being reduced.

Analysis of the liquidity reflects the bank's ability to meet all its obligations, but sometimes assets do not meet the liabilities in terms of redemption. However, the bank has already developed and given a schedule of spread correspondence to the NBU.

Revenue and expenditure structures of the banks were stable and the bank's activities were profitable over the analyzed period. Profitability indices, return on assets and return on equity, have positive values, but they are lower as compared to the values of the Ukrainian banking system. Value of the efficiency coefficient is within the limits provided by the NBU. From the end of 2002, this value is being reduced due to the development of the bank's regional network.

The bank achieved key balance and operating indices in 2006. If there is a sufficient level of capitalization, the bank's development strategy foresees an increase in the number of active operations, the development of a regional network and client base for effective operations.

1. Key Information regarding Lviv JSCB

1.1. History of the Bank's Development

Lviv LLC was incorporated on October 17, 1990 according to the decree #490 of the State Bank of the former USSR. In 1991, Lviv LLC was re-registered by the NBU under #28. At the initial stage, the bank serviced a limited number of clients, but later it increased their number.

On October 1993, Lviv Commercial Bank was re-registered in Lviv Joint Stock Bank, CJSC.

To hold competitive positions in the regional market, the bank increased the number of services rendered from the middle of the 1990's : it received a permit for currency transactions from the NBU, a permit for keeping a register of registered securities and a permit for security issue; introduced a Client-Bank program system; started to transfer money by Western Union; started to use coded accounts in foreign currency; started to receive payments from the population to legal entity accounts and to distribute charge cards of Visa and EuroCard/MasterCard systems.

In 2000, the Head of Lviv Regional State Administration decreed that Lviv JSCB, CJSC had a right to carry out local budget cash servicing operations. The patent service registered a trade mark of Lviv JSCB, CJSC.

The bank started to develop its network in 2003 by opening the branch in the city of Novoyavorivsk and Lviv.

In 2006, a group of Icelandic companies became strategic investors of the bank through the Ukrainian company New Progress Holding. Due to the subordinated debt of UAH 4 million, which was received for a 5 year term, the bank could have the regulatory capital. New membership of the Supervisory Board was elected during the general stockholders' meeting which took place on May. Besides, the decision on a UAH 30 million increase of the bank's stock capital was adopted.

In the middle of 2006, the bank's management was replaced and the development strategy for 2006-2009 was adopted. In spring 2007, the bank won a competition The City's Face-2006 in the category For Saving Architectural Heritage. In addition, the bank concluded a contract with the State Mortgage Institution for refinancing and servicing mortgage loans.

On October 2006, the bank concluded a contract with Lvivgaz PJSC for replacement of the population energy-saving equipment according to the Energy-Saving Regional Program.

At the end of 2006, having concluded a contract with the NBU, the bank became a member of the National System of Mass Electronic Payments and started to provide functions of issuer and acquirer. The bank received a permit from the

Pension Fund of Ukraine for making pension payments under the consent of the recipients through their accounts, and opened two additional departments.

As of June 01, 2007, Lviv JSCB had a banking license #54 and a permit #54-2 for banking transactions. According to the abovementioned documents, the bank is entitled to provide most of banking operations, but not the following: attraction and placement of foreign currency in international markets, transactions with banking metals in Ukrainian and international markets (and other currency transactions), issues and repayment of money lotteries, and transportation of currency values and money collection.

Today, the bank is a member of:

- European Business Association;
- Lviv Region Banks Association;
- Kiev International Stock Exchange;
- The Association of Ukrainian Banks;
- The Lviv Chamber of Commerce and Industry;
- The National System of Mass Electronic Payments;
- The Household Deposit Insurance Funds;
- The Professional Association of Registrars and Depositories.

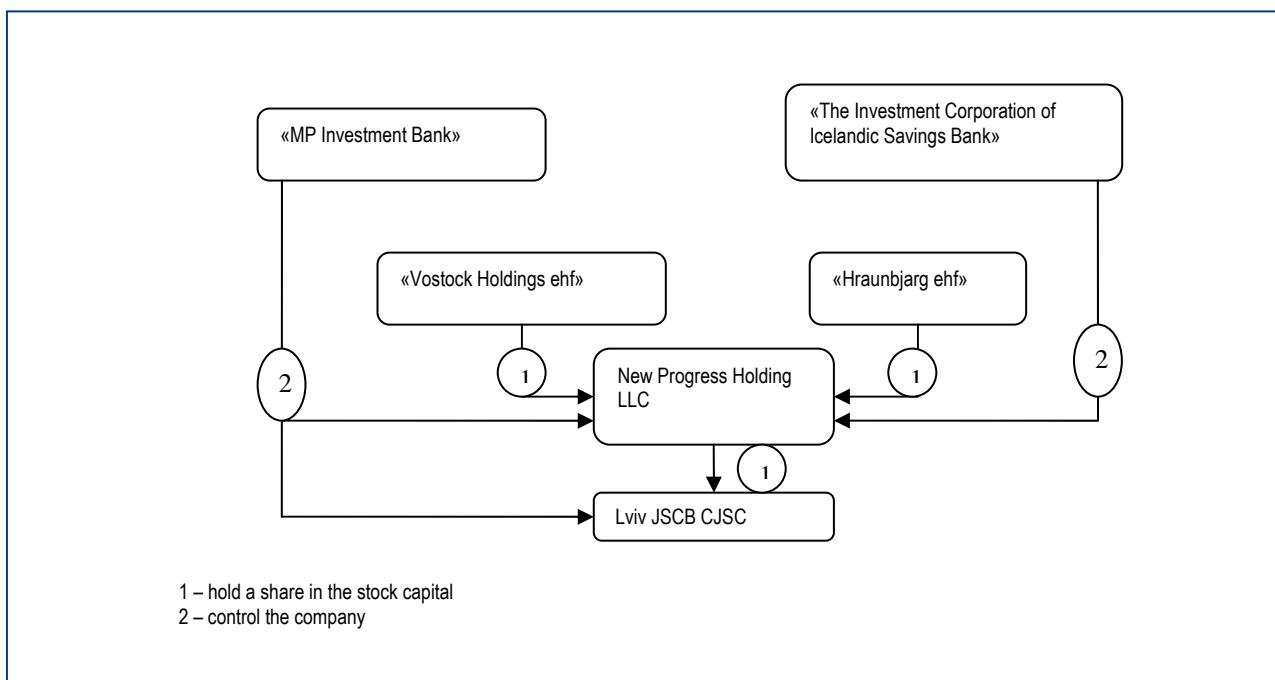
On June 20, 2007, Lviv JSCB won a competition for offering Lviv municipal bonds for the amount of UAH 50 million with a rate of 9.45% per annum.

1.2. Ownership Structure

Over the past four years, the bank's ownership structure has been significantly changed. At the beginning of 2005, the owners were mostly legal entities and the 20 largest owners held a 93.89% share of the stock capital. The owners of a significant share (more than 10%) were:

- Naftogazbud Firm, CJSC (19.68%);
- Lviv Chemical Plant, PJSC (15.44%);
- Kolos, CJSC (11.99%).

The stockholder structure was changed on January 2006. New Progress Holding LLC obtained a permit from the Antimonopoly Committee of Ukraine for purchasing a majority holding of Lviv JSCB. The owners of the company are the Icelandic companies Vostock Holdings ehf and Hraunbjarg ehf. The connection of the banks with other companies is given in the Picture 1.



Picture 1. Connection of Lviv JSCB with other companies²

As of April 01, 2007, New Progress Holding LLC held a 98% share of the bank's stocks. The share of other stockholders in the stock fund is low.

1.3. The Management

The bank's management is the General Meeting of Stockholders, Supervisory Board and Board of Directors. The management powers are regulated by the Article and internal regulations.

The highest management body is the General Meeting of Stockholders, which determines the principal strategic directions of the bank's activities.

The Board of Directors is the executive body of the banks who manage the bank's every day activities.

² data provided by www.baza.proua.com

The Board of Directors consists of the Director-General and 7 members who are elected for a two years term. The Director-General and members are appointed and leave their office by the decision of the bank's Supervisory Board. The Board of Directors is controlled by the General Meeting of Stockholders and Supervisory Board, and fulfils their decisions. The Board of Directors is guided by the Articles, decisions made by the General Meeting of Stockholders, the bank's regulations and current legislation and standards provide by the NBU.

The Supervisory Board controls the activities conducted by the Board of Directors with a purpose to protect the stockholders' rights.

Members of the Supervisory Board are not allowed to be members of the Board of Directors and Inspection Committee of the bank. The Supervisory Board has a head who is elected by the General Meeting of Stockholders.

The Supervisory Board acts according to the Articles, Regulations and other standard acts.

1.4. Risk Management

The bank identifies estimates and controls the next types of risks: liquidity risk, credit risk, market risk and currency risk.

Risk management is provided by the following bodies:

- The Supervisory Board of the bank (decision-making for carrying out transactions the amount of which exceeds the authority limits of separate departments and bodies);
- Committee for assets and liabilities management (determination of the key principles of risk management, development of internal standard documents, determination of limits of the bank's separate transactions);
- Bank's Credit Committee (decision-making for lending within the established lending limits, lending conditions, measures for doubtful debt repayment). Besides, the head office has a small credit committee and the bank's branches have credit commissions.

Risk management department introduces effective system of risk management and mathematical models of risk management, develops a risk graph, and manages the portfolio risks and risks of financial institutions.

Risk management is based on the decision making by separate collective bodies within the established limit.

Credit Committee consists of seven members namely Head of Board of Directors, deputy head and members of credit committee (appointed by the

decree of the board of directors). The credit committee has a right to make decision for lending up to the amount of UAH 700 000 without permission of the supervisory board. Active banking transactions, which exceed the abovementioned sum, and cumulative active operations in the amount more than UAH 1 million per one client can be conducted only with the written consent of Merger Petursson and Karl Torstainz. In the amount of credit exceeds 15% of the regulatory capital, a written direction of the supervisory board is obligatory.

Small Credit Committee consists of 5 members and is allowed to make decisions for the next programs:

- Deposit-backed lending in Lviv JSCB (for legal entities and individuals) for the amount up to UAH 300 000.0 (or equivalent in foreign currency) if the amount of deposit equals the amount of credit with accrued interest for a two months period;
- Auto loan (for legal entities and individuals) for the amount up to UAH 150 000.0 (or the equivalent in foreign currency);
- Secured real estate lending (for legal entities and individuals) for the amount up to UAH 150 000.0 (or the equivalent in foreign currency) on conditions that market value of the deposit exceeds the amounts of credit by two times or more;
- Consumer lending for the amount up to UAH 50 000.0 (or the equivalent in foreign currency).

Every branch of the bank has its own credit commission consisting of three members (head of the credit commission and the members appointed by the head of Directors' Board). The credit commissions have a right to make the following decisions:

- Deposit-backed lending in Lviv JSCB (for legal entities and individuals) for the amount up to UAH 100 000.0 (or the equivalent in foreign currency) if the amount of deposit equals the amount of credit with accrued interest for a two months period;
- Auto loans (for legal entities and individuals) for the amount up to UAH 75 000.0 (or the equivalent in foreign currency);
- Secured real estate lending (for legal entities and individuals) for the amount up to UAH 75 000.0 (or the equivalent in foreign currency) on conditions that market value of the deposit exceeds the amounts of credit in two times or more;
- Consumer lending for the amount up to UAH 5 000.0 (or the equivalent in foreign currency).

The decision for making a loan is to be made by the Credit Committee after the borrower's application form is examined and the committee receives a final conclusion from the following departments: Security Service, Legal Assistance Department, Lending Department of Credit Operation Administration, Retail Consumer Lending Department of PR Administration and Risk Management Department of Risk and Economic Analysis Administration. The last one determines a lending risk taking into account the RAROC principles.

The bank's liquidity risk management is provided for either by structuring assets and liabilities by redemption terms or by the determination and control of their gaps (gaps up to 10% of assets), and by the calculation for cumulative gaps. At the same time, the fulfilment of economic standards is the control and the demand balance in the correspondent accounts of the NBU (obligatory reserve) is regulated.

Interest risk management of the bank is based on the estimation of the interest rate risk taking into account gap-analysis, estimation and control of the durations, determination of the net interest margin at the fixed level, making a curve of profitability and conduction of stress-testing i.e. determination of a 1% interest rate influence on the bank's capital.

By estimating the currency risk, the bank uses the VAR-method which provides the qualitative estimation of the currency risk and its management quality. In future, the outlook for market interest rates and exchange currency changes is prepared. In addition to the abovementioned and following economic standards of open currency operations, the bank determines the limits for each currency taking into account the specifications of the Ukrainian money market, the bank's size and its activities, the ability to attract cash, assets and liabilities, the redemption terms and the provided volatility of interest rates.

The development history of Lviv JSCB is characterized by low growth rates and gradual increase in the number of services. Active development of the regional network started in the year 2003, but the growth rates of the bank's balance sheet total were low and the bank lost some market positions by key indices. However after the top level management was replaced and the portfolio investor (the investor held a 98% share of stocks by April 01, 2007) was attracted, the bank's growth rates increased. The principal investor is New Progress Holding LLC which deals with the investment activities and belongs to two Icelandic companies Vostock Holdings ehf and Hraunbjarg ehf. The bank's control is provided by the Icelandic bank MP Investment Bank, which has its representative on the Supervisory boards of Lviv JSCB.

The bank developed and introduced an effective risk-management structure based on the references of the second Basel Committee .In addition, the bank uses methods of GAP and VAP-analysis, duration control and estimation methods, and provides a stress testing for controlling market risks. Credit risk management is based on the determination of the limits for making decisions on credit operations. The bank introduced the RAROC (risk assessment system).

2. Development of the Ukrainian Banking System and the Place of Lviv JSCB

Dynamics of the Key Macroeconomic Indices in the Year 2006

The bank increased activities in the cash market from USD 1.98 billion in January to USD 4.33 billion in December and increased its presence in the inter-bank market (the total amount of the operations conducted in 4Q2006 was more than USD 30 billion as compared to USD 21.5 billion in the 1Q2006).

On June 2006, the National Bank of Ukraine lowered the rate from 9.5% to 8.5% and increased the volume of interventions in the currency market, the balance of which was negative during the first four months of 2006. A number of operations with foreign cash currency in the inter-bank market increased. Currency sold to the public dominated there. It was caused by increasing long-term lending (share of such loans was 60% in 2006) and increasing activities of the bank in the international financial markets.

The increase of operations with foreign currency was supported by an increase in the remains of the population's foreign currency deposits. At the beginning of the year, the remains increased by 57.6% and amounted to USD 9.5 billion. The gold and exchange currency reserves of the NBU increased by 14.75% and amounted to USD 22.26 billion at the end of 2006 as compared to the beginning of the year.

To support the liquidity of the banking system of Ukraine, in 2006 the National Bank of Ukraine refinanced banks for the amount of UAH 8 331.8 million including UAH 5 572.6 million – overnight credits, UAH 1 358 million – direct REPO operation, UAH 1 007.5 million – loans given after a tender is carried out, UAH 378.8 million – swap operations, UAH 14.85 million – loans given under property rights for deposit cash.

Increase of the monetary aggregates and cash exceeded the deposit cash, and stimulated banks to increase active operations namely lending. The bank's average refinancing rate, provided by the NBU, decreased from 13% in January-February 2006 to 9.5% in December 2006 and so, the banks began to make the portfolios consisted of the governmental securities and deposit certificates of the NBU.

An increasing gap between attracted and placed cash belonged to individuals and legal entities (over the past year the ratio of the attracted deposits of legal entities and individuals by credits decreased from 93% to 75%) was caused by the increasing abilities of the banks to international resources. The bank's ability to enter the international market for capital affected the dynamics of loan and deposit interest rates (average loan interest rates in national currency decreased by 1.5 percent points and equalled to 14.9% from the beginning of the year, in foreign currency by 0.4 percent points to 11.2%. Deposit interest rates in national

currency decreased by 1.1 percent points and equalled 7.4% and by 1.0 percent points to 5.8% in foreign currency).

Overview of the Key Events in 2006 and Their Influence on the Banking System of Ukraine

From the end of 2005, the Law of Ukraine on Mortgage Bonds became effective. The Law allows for increasing the banks' ability for refinancing and makes conditions to use bonds as an instrument of liquidity control.

The Regulations on the National Bank of Ukraine's Control for Banking Liquidity dated of November 17, 2006 became effective. The Regulations allow for increasing a number of instruments of monetary influence in the Ukrainian banking system.

In the year 2006, foreign banks were allowed to open branches in Ukraine, however,, foreign capital infusion is expected to be due to further purchases of Ukrainian banks by foreign institutions.

It is important to note that the new regulations of instruction On Banking Activities became effective from the year 2007, namely regulations for the amount of regulatory capital for Ukrainian banks.

During the years 2004–2006, the merger market in the national banking system became more intense. Foreign investors bought some large-scale and medium-scale banks. During 2002–2006, the number of foreign invested banks increased from 20 to 35, and the number of a 100% foreign invested banks increased from 7 to 13. An active infusion of foreign capital began in the years 2005-2006.

The eventual limit of the amount of foreign capital in the national banking system can affect the infusion of foreign capital and dynamics of the key indices of already existing foreign invested banks.

Banking Activities over the years 2002-2006 and Current Situation in the Ukrainian Banking System

During the years 2002-2006, the key development trends of the banking system of Ukraine were:

- High growth rates;
- The Ukrainian banks entered the international markets by issuing Eurobonds and the attraction of syndicated loans;
- The banking capital's growth supported by an infusion of foreign capital.

Over the years 2002-2006, the banking system of Ukraine showed high growth rates: net assets of Ukrainian banks increased by 5.75 and capital by 14.2 in the structures of the first and second bank groups.

In 2006, the NBU registered 11 banks (in 2005 – 6), including two of them (Delta JSCB and Prestige JSCB) which held the six and the 16th places in the third group of banks as of January 01, 2007 respectively. Another four banks entered the fourth group of banks and held the places from 138 to 169.

As compared to the beginning of the year, the number of active banks increased by 6 and reached 169 institutions as of January 01, 2007. 166 banks are members of the Household Deposit Insurance Fund. Total number of the banks is 170 and the most of which is located in Kiev Oblast (60%), Dnepropetrovsk Oblast (8%), Kharkov Oblast (7%), Donetsk Oblast (6%) and Odessa Oblast (6%).

Most of banks of the first and the second groups have a wide network of branches. As of January 01, 2007, the banking network consisted of 1,415 active branches.

19 banks are being liquidated including 16 of which are being liquidated by a decree of the NBU and 3 – by the decision of Economic Courts.

At the end of 2006, the NBU increased the amount of assets according to which the banks were divided by groups. As a result, the amount and share of separate banks in the assets structure of the banking system of Ukraine was changed. It is necessary to note that the share of the largest banks (the first and the second groups) in the banking system increased from 75% (as of January 01, 2006) to 81% (as of January 01, 2007).

Dynamics of the assets and capital of the banking system of Ukraine is given below.

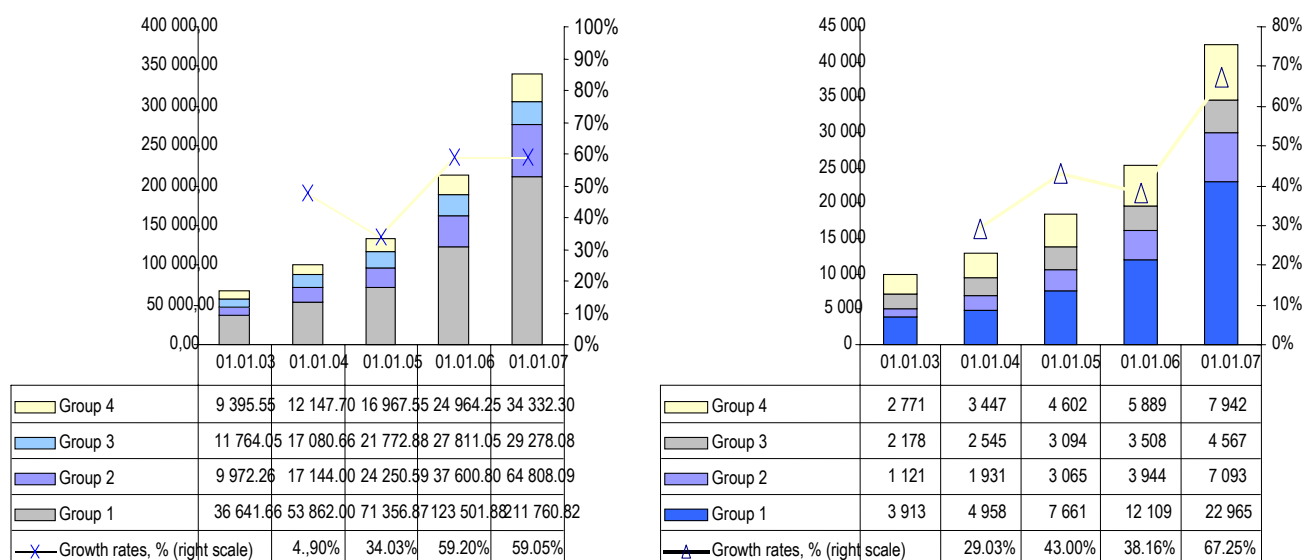


Chart 2.1. The Structure of Assets (Left Graph) and Capital (Right Graph) of Ukrainian Banks, UAH million

The growth rates of the Ukrainian banking system assets in 2006 was in line with the growth rates of the previous year, while the equity capital of banks grew at considerably higher rates.

The assets of the Ukrainian banks increased in 2006 mainly through the growth of individual credits, investments in affiliated companies and subsidiaries and the funds of other banks. But the volume of securities, issued by the NBU, decreased in the bank's portfolios which had a 2.4 times increase in the previous year. The growth of other components was insignificant, superseded by the general increase of the banking system assets (Table 2.1).

Table 2.1. Assets Structure of Ukrainian Banks

Assets	Volume on 01 Jan 05, UAH million	Share in total assets, %	Volume on 01 Jan 06, UAH million	Share in total assets, %	Volume on 01 Jan 07, UAH million	Share in total assets, %
Cash and balances at accounts at NBU	13 851.088	10.3	24 918.94	11.7	26 493.45	7.8
Securities issued by NBU	2 703.618	2.0	6 487.20	3.0	4 567.71	1.3
Cash at other banks	19 359.360	14.4	25 591.29	12.0	42 309.60	12.4
Securities	5 266.994	3.9	7 583.22	3.5	9 319.03	2.7
Credits and debts of clients	87 519.381	65.1	142 276.76	66.5	245 522.53	72.2
Investments in related and affiliated companies	186.617	0.1	267.69	0.1	535.11	0.2
Fixed-capital assets and intangible assets	8 752.653	6.5	11 617.56	5.4	18 554.21	5.5
Accrued incomes receivable	1 422.236	1.1	1 938.33	0.9	2 823.81	0.8
Other assets	2 434.683	1.8	2 342.64	1.1	2 960.26	0.9
Reserves for active transactions	-7 148.734		-9 145.64		-12 906.41	
Total net assets	134 347.880	-	213 877.98	-	340 179.29	-

In 2006 the banks got more actively involved in the stock market and the structure of their portfolios changed. For instance, while at the beginning of 2006 the volume of negotiable portfolios of Ukrainian banks amounted to UAH 587 million, then over a year they grew by UAH 2.8 billion to UAH 3.4 billion as of January 01, 2007. Overall the banks securities portfolio apart from government papers grew over a year by UAH 1.7 billion and amounted to UAH 9.3 billion on January 01, 2007 (the increase in the banks securities portfolio was UAH 2.3 billion in the previous year).

Over 2006 the banks' liabilities grew 57.9 percent and were by 68.2 percent made up by funds of legal and natural entities (the increase in liabilities was 62.5 percent in 2005). The structure of Ukrainian banks' liabilities can be seen in the following table.

Table 2.2. The Structure of Liabilities of Ukrainian Banks

Liabilities	Volume on 01 Jan 05, UAH million	Share, %	Volume on 01 Jan 06, UAH million	Share, %	Volume on 01 Jan 07, UAH million	Share, %
Cash of bank	20 350.52	17.6	31 998.67	17.0	76 644.67	25.8
Client funds	90 934.62	78.4	147 094.05	78.1	202 928.99	68.2
Certificates issued by banks	477.68	0.4	833.84	0.4	991.47	0.3
Other debt securities issued by banks	149.65	0.1	2 020.83	1.1	5 173.12	1.7
Accrued expenditures	999.25	0.9	1 857.54	1.0	3 056.68	1.0
Deferred tax liabilities		0.0	663.97	0.4	1 681.82	0.6
Other liabilities	3 014.73	2.6	3 958.24	2.1	7 136.45	2.4
Total liabilities	115 926.45	100.0	188 427.13	100.0	297 613.18	100.0

Despite the intensive growth of the debt securities in the Ukrainian banks' liabilities which grew almost 2.6 times to UAH 5.1 billion over the year, their share in liabilities remains insignificant.

The growth rates of client cash in 2006 were lower than in the previous year and inferior to the growth rates of investments to the credit portfolio and amounted to 38 percent in 2006 (61.8 percent in 2005 respectively) which indicates the diversification of resources for active transactions.

Foreign investments and the intensification of competition in the banking area prompted banks to enhance their authorized funds which resulted in the growth rates of equity capital in the Ukrainian banking system (67.3 percent) exceeding the growth rates of other assets (59.1 percent), while the level of supply of active transactions with equity capital increased from 11.9 percent on January 01, 2006 to 12.5 percent as of January 01, 2007.

The increase of the stock capitals by Ukrainian banks called for the growth of this component of capital by 62.7 percent – to UAH 26.3 billion, whereas the market price of stock was higher than its nominal value thus doubling the issue differences – from UAH 0.6 billion on January 01, 2006 to UAH 1.2 billion as of January 01, 2007.

The rise of prices for real estate over the year enabled Ukrainian banks to reevaluate their assets in particular facilities which resulted in the revaluation reserves in capital growing from UAH 2.5 billion at the beginning of 2006 to UAH 5.4 billion.

The structure of Ukrainian banks' equity capital can be seen in the following table.

Table 2.3. The Structure of Equity Capitals of Ukrainian Banks

Capital	Volume, 01 Jan 05, UAH million	Share, %	Volume, 01 Jan 06, UAH million	Share, %	Volume, 01 Jan 07, UAH million	Share, %
Stock capital	11 648.34	63.2	16 144.44	63.4	26 266.18	61.7
Repurchased shares or interest	-44.95	-0.2	-36.29	-0.1	-6.74	0.0
Issue differences	417.34	2.3	542.53	2.1	1 198.41	2.8
Reserves, capitalised dividends and other bank funds	1 841.59	10.0	2 968.87	11.7	4 804.53	11.3
Revaluation reserves	2 035.83	11.1	2 536.73	10.0	5 445.91	12.8
Accrued financial result of previous years	1 259.54	6.8	1 124.45	4.4	713.35	1.7
Profit of the accounting year to be approved	0.00	0.0	0.00	0.0	0.00	0.0
Result of current year	1 263.76	6.9	2 170.12	8.5	4 144.47	9.7
Total equity capital	18 421.43	63.2	25 450.85	100.0	42 566.11	100.0

The total income of the banking system in 2006 amounted to UAH 41.5 billion which is 51.7 percent above the income for 2005. The increase of interest income was 59.1 percent, commission income – 44.0 percent, returns from interest in capital – 44.0 percent, returns from trading transactions – 72/4 percent. The volume of other income and dividend income decreased instead by 36.7 and 19.5 percent respectively despite their material rise in the previous year.

Overall the increase in Ukrainian banks income in 2006 is above their increase for expenditures for the same period.

The volume of expenditures of Ukrainian banks in 2005 was UAH 36.0 billion which is 47.5 percent higher than the previous year. The expenditures pattern experienced no material changes over the current year and is represented by: interest expenditures – 46.1 percent of total expenditures, general administrative charges and payroll expenses – 13.6 and 19.4 percent respectively, expenditures for reserve formation – 12.7 percent. The volume and share of other items are insignificant.

The operating income of the banks amounted to UAH 10.1 billion over 2006, the net profit – UAH 4.1 billion (in 2005 – UAH 5.8 and 2.1 billion respectively). Overall in 2006 the performance of the banking system improved in efficiency, which is indicated by the increase of return on assets from 1.01 percent in 2005 to 1.22 percent in 2006 and the return on equity – from 8.53 to 9.74 percent respectively.

The Position of Lviv JSCB in the Ukrainian Banking System

Lviv JSCB has operated in the Ukrainian banking market since 1990, however the highest growth rates were obtained over 2006. The information on the position of Lviv Bank JSCB in the banking system of Ukraine can be seen in the table below.

Table 2.4. Information regarding the Position of Lviv JSCB in the Ukrainian Banking System³

Index	1 Jan 2003	1 Jan 2004	1 Jan 2005	1 Jan 2006	1 Jan 2007	1 Apr 2007
Position of Bank by the amount of net assets according to the AUB (Association of Ukrainian Banks)	106	111	116	133	130	128
Bank's share in the net assets of the Ukrainian banking system, %	0.115	0.077	0.078	0.052	0.057	0.056
Bank's position by the amount of balance capital according to the AUB	115	127	134	146	109	119
Bank's share in the capital of the Ukrainian banking system, %	0.23	0.20	0.165	0.115	0.151	0.143
Bank's position by the amount of net profit according to the AUB	73	85	110	127	121	100
Bank's share in the profit of the Ukrainian banking system, %	0.168	0.186	0.085	0.036	0.040	0.054
Bank's position by the amount of legal entity deposits according to the AUB	108	121	120	135	112	118
Bank's share in the legal entity deposits of the Ukrainian banking system, %	0.052	0.038	0.039	0.028	0.065	0.059
Bank's position by the amount of individual deposits according to the AUB	82	96	98	103	114	112
Bank's share in the individual deposits of the Ukrainian banking system, %	0.12	0.10	0.087	0.066	0.048	0.058
Growth rates of net assets of Lviv JSCB	29.36	16.35	35.67	7.58	76.50	9.68
Growth rates of net assets of the banks of Ukraine, JSCB	34.69	74.54	33.19	62.79	60.93	10.09

The growth rates of the assets of Lviv JSCB at the beginning of 2006 were behind the growth rates of assets in the Ukrainian banking system which undermined the bank's market position. However after the change of shareholders and an increase of the authorized capital in 2006 Lviv Bank JSCB enhanced its development rate.

³ By the data of the AUB

3. Development of Performance Indicators

3.1. Legal Aspects of Activity of Lviv JSCB

3.1.1. Information regarding Legal Claims

According to the information provided by the bank over the period under review Lviv Bank, JSCB defended two suits of non-property character which were decided in favor of the bank.

3.1.2. Inspections by Regulatory Bodies

Over 2002-2006 the regulatory bodies (NBU, State Tax Inspectorate, Pension Fund of Ukraine, Auditing Administration of Ukraine, etc) conducted 15 audits of Lviv Bank, JSCB. Two infringements of tax regulations were established and fines imposed in the total of UAH 6 500, paid in full amount and due time.

Over 2002-2006 the bank defended two legal suits of non-property character which were decided in favor of the bank. As a result of audits of the bank the regulatory bodies found two infringements; the fines imposed were paid in full and in time.

3.2. Development of the Regional Network

Lviv JSCB has started developing its regional network since 2003. As of April 01, 2007 the bank's regional network included the Headquarters and nine separate branches without their own balance, all concentrated in the city of Lviv and Lviv region. The development of the regional network of Lviv Bank, JSCB can be seen in the table (Table 3.1).

Table 3.1. Information on the Development of the Regional Network of Lviv JSCB

Region	Regional departments established over the accounting year		Regional departments liquidated over the accounting year		Number of regional departments by the end of the accounting year	
	branches	departments	branches	departments	branches	departments
Lviv region						
2002	-	0	-	-	-	1
2003	-	2	-	-	-	3
2004	-	1	-	-	-	4
2005	-	1	-	-	-	5
2006	-	3	-	-	-	8
01 Apr .2007	-	2	-	-	-	10

Lviv JSCB has no additional outlets for banking services (currency exchanges, mobile offices, etc). The bank's strategic plan provides for the creation of new departments for its current clients.

According to the performance of Lviv JSCB over 2006, all its departments broke even as they all are accounted for the on the balance of the Head Bank.

The regional network of Lviv JSCB is insufficiently developed and concentrated only in the city of Lviv and Lviv region, which results in a certain dependency of the bank's operation on the social and economic situation in the region.

3.3. Payment Cards

The payment card business of Lviv JSCB is developing in cooperation with Visa, MasterCard Payment Systems and National Mass Electronic Payment System (since December 2006). Also Lviv JSCB is distributing an international system of bank payment cards through its cooperation with Ukreximbank CJSC through an agency scheme. On April 01, 2007 the bank is servicing 380 Visa cards and 140 MasterCards (all of the payment cards are debit cards). The issuance volume of the cards is to be increased to 500 and 200 items respectively over 2007.

According to the development strategy of the card business of Lviv Bank JSCB the issuance volumes of NMEPS cards is to amount to 10 000 items including 1 500 credit cards in 2007.

At the moment the bank has a poorly developed card service network which included three ATMs on April 1, 2007, but the network is to be expanded to 10 ATMs and 10 POS and 18 cash dispensers by January 01, 2008.

The condition of the card business and the service network of Lviv JSCB could be characterized as poorly developed.

3.4. Development of the Client Base

Lviv JSCB offers a wide range of banking services for natural and legal entities. The start of new departments and the written licences from the NBU for certain banking transactions enabled the bank to attract a large number of clients. The information on the development of the client base of Lviv JSCB could be seen in the table (Table 3.2).

Table 3.2. Information regarding the Client Base of Lviv JSCB

	01 Jan 2003	01 Jan 2004	01 Jan 2005	01 Jan 2006	01 Jan 2007	01 Jan 2007
Natural entities:	1 963	4 370	3 891	4 346	3 992	4 658
borrowers	23	75	72	187	410	n/a
Current account holders	260	1 035	2 034	2 303	3 724	4 939
Depositors	2 234	2 774	3 387	3 907	3 260	3 888
Legal entities:	1 102	1 249	1 314	1 387	1 490	1 547
borrowers	89	118	99	111	90	n/a
Current account holders	2 007	2 189	2 522	2 601	2 763	2 817
Depositors	60	72	69	83	105	114
Clients, total	3 065	4 370	5 211	5 733	5 482	6 205

The widening of the range of lending services to natural entities (mainly, car loans, mortgage lending, loans for the power supply program, etc) increased the number of private clients by over two times in 2006.

We should point out that the large trading centres of Lviv Region, building companies and insurance companies among the legal entity clients of the bank.

Lviv JSCB has a rather stable client base which is constantly growing.

4. Financial Indices of Lviv JSCB

4.1. Compliance with Prudential Regulations of the NBU

Over 2006 and 1Q2007, Lviv JSCB complied with the regulations established by the NBU (Appendix 3).

Due to the bank's stock sale to a strategic investor and the increase of the authorized capital the regulatory capital standard of Lviv JSCB almost doubled in July 2006 while the other regulations also improved. According to the NBU classification by the capital ratio Lviv JSCB is graded as a properly capitalized.

Over the period under review the liquidity ratios of Lviv JSCB were significantly above the regulations, yet experienced material fluctuations. In particular, owing to the temporal investment of the bank's shareholder capital in high-liquidity assets, the values of regulations N4 and N5 were over 200 percent, but dropped afterwards.

Lviv JSCB also complied with other regulations of the NBU, however the value of N7 regulation (regulation for maximum credit risk per contract party) is approaching its threshold level which is typical for a fourth group bank. At the same time it should be noted that the investment regulations values are constantly low.

In its operation Lviv JSCB has been complying with the regulations established by the NBU. The Bank has a good capitalization level. The liquidity ratios fluctuate significantly, but their values indicate the bank's capability to reduce the current risks through high-liquidity assets in a short-term period.

4.2. Sources of the Resource Base Formation

4.2.1. Capital

The equity of Lviv JSCB amounted to about UAH 61 million on April 01, 2007, which is 3.3 times greater as compared to the beginning of 2002. The growth of the banks capital was mainly due to the additional share issuance and the increase of the reserve fund and other capital (the results of revaluation of the fixed assets). The volume and structure the equity capital of Lviv JSCB could be seen in the table (Table 4.1).

Table 4.1. Amount and Structure of the Equity of Lviv JSCB, UAH (000)

	01Jan 02	01 Jan 03	01 Jan 04	01 Jan 05	01 Jan 06	01 Jan 07	01 Apr 07
Paid shareholder capital	7 305.34	9 305.34	12 305.34	17 305.34	17 305.34	47 119.60	47 119.60
Reserves	230.92	377.46	0.00	1 273.01	2 102.82	3 626.07	5 227.47
Accrued surplus	9 140.46	2 256.20	3 347.72	2 223.02	1 971.75	1 601.40	683.35
Other capital	1 732.72	7 927.75	7 927.75	7 927.75	7 927.75	7 927.75	7 927.75
Total equity capital	18 409.45	19 866.76	23 580.81	28 729.12	29 307.66	60 274.82	60 958.17

The equity capital structure is dominated by the stock capital whose share over the period under review fluctuated in the range of 39-79 percent and amounted to over 77 percent by April 01, 2007. The other capital includes the revaluation results of fixed assets.

Information on the level of supply of active transactions, credit and investment risks with the equity capital of Lviv JSCB can be seen in the table (Table 4.2).

Table 4.2. Supply of Operation of Lviv JSCB with the Equity Capital

	Index	01 Jan 06	01 Apr 06	01 Jul 06	01 Oct 06	01 Jan 07	01 Apr 07 ⁴
Lviv JSCB	Supply of active transactions with equity capital	28.87	29.24	38.61	46.51	33.64	31.02
	Supply of credit and investment risks with equity capital	40.35	41.37	61.56	62.88	39.59	36.21
Ukrainian banking system	Supply of active transactions with equity capital	11.9	11.97	11.57	11.58	12.51	12.88
	Supply of credit and investment risks with equity capital	13.99	13.57	12.93	12.76	14.11	15.88

The operation of Lviv JSCB is sufficiently supplied with equity capital and moreover the indices of supply exceed the average in the banking system on the whole.

4.2.2. Liabilities

Since the beginning of 2002 the total liabilities of Lviv JSCB has grown almost five times to amount to UAH 135.6 million on April 01, 2007. The increase of liabilities is mainly due to the attraction of the clients' funds and the subordinated debt from the shareholders of Lviv JSCB. The liabilities volume and structure of Lviv JSCB can be seen in the chart (Chart 4.1).

⁴ According to the AUB

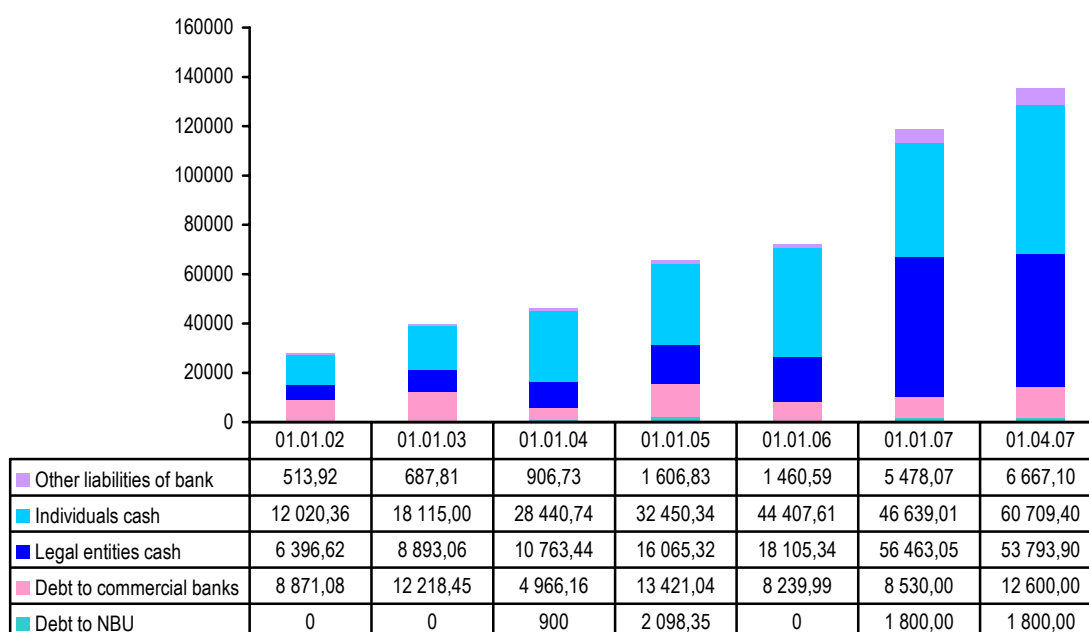


Chart 4.1. Liabilities Volume and Structure of Lviv Bank, JSCB, UAH (000)

The resource base is formed mainly by the cash of individuals and legal entities which together make up 84.5 percent of total liabilities. Other liabilities of Lviv JSCB are predominantly in the form of funds raised as a subordinated debt (UAH 4.0 million).

In the fourth quarter of 2006 the bank started actively attracting cash of legal entities for long-term accounts.

The volume and share of other sources in particular the cash of NBU, cash of other banks at vostro accounts, inter-bank credits and deposits are insignificant. Funds from the inter-bank market are used in the first place to maintain liquidity.

The obtaining of credit from NBU (REPO operations backed with government home bonds) was caused by the necessity to raise relatively inexpensive short-term resources for active transactions.

The concentration of the resource base by the main creditors is rather high: on April 01, 2007 the 20 largest creditors total about 50 percent of the total liabilities. At the same time one creditor has about 25 percent of the liabilities.

The inter-bank risk ratio which is determined as the ratio of the balance of inter-bank credits and deposits to the liabilities and characterizes the bank's dependence on the inter-bank market amounted to 7.33 percent on April 01, 2007 (4.07 percent at the beginning of 2007).

Client Cash

The structure of the client deposit portfolio can be seen in the table (Table 4.3).

Table 4.3. Client Deposit Portfolio

	01 Jan 02	01 Jan 03	01 Jan 04	01 Jan 05	01 Jan 06	01 Jan 07	01 Apr 07
Individual cash, including:	12 020.36	18 115.00	28 440.74	32 450.34	44 407.61	46 639.01	60 709.40
Demand cash	187.39	434.77	572.06	654.84	782.42	2 070.60	2 149.11
Deposit cash	11 832.97	17 680.23	27 868.68	31 795.50	43 625.19	44 568.41	58 560.29
Legal entity cash, including:	6 396.62	8 893.06	10 763.44	16 065.32	18 105.34	56 463.05	53 793.90
Demand cash	4 553.87	5 221.29	7 262.34	12 042.16	13 482.58	16 589.07	15 918.79
Deposit cash	1 842.75	3 671.77	3 501.10	4 023.16	4 622.75	39 873.98	37 875.11
Total client cash	18 416.98	27 008.07	39 204.18	48 515.66	62 512.95	103 102.06	114 503.30
Deposit cash in liabilities	49.19	53.49	68.23	54.57	66.81	71.01	71.13
Individual cash in deposit portfolio	65.27	67.07	72.55	66.89	71.04	45.24	53.02

Since the beginning of 2003 the structure of borrowed cash is dominated by long-term cash which are expensive yet more stable resources for the bank. In addition the bank raised those cash mainly from individuals. However, the cash of companies and organizations has lately shown a significant increase.

The bulk of the client deposit portfolio is made up by the cash in national currency (59.6 percent), deposits in US dollars make up 36 percent of the deposit portfolio, in Euro – 4.3 percent.

The concentration of the deposit portfolio by deposits is rather moderate: on April 01, 2007 the 10 largest deposits took up over 36 percent of the deposit portfolio of Lviv JSCB (at the beginning of 2006 – 8.91 percent).

The increase of the bank's assets in 2003-2006 was supported by the growth of the stock capital (3Q 2006), the obtaining of subordinated debt and mainly deposit cash of legal entities and individuals. The bank is properly capitalised, moreover the bulk of the equity capital is made up by the authorised capital whose increase improved the indices of supply for active transactions, which creates the potential for the bank's future development. The bulk of the resource base is made up by client's cash, however there is dependency on the 20 largest creditors who contributed about 50 percent of the liabilities on April 01, 2007. The concentration of the deposit portfolio is moderate. The dependency on the inter-bank market was insignificant over 2006: the passive balance of the inter-bank transactions fluctuates below 9 percent.

4.3. Directions of the Cash Use

4.3.1. Assets

Since the beginning of 2002 the assets of Lviv JSCB have increased over four times which in absolute value is UAH 150.3 million. The assets volume and structure of Lviv JSCB could be seen in the chart (Chart 4.2).

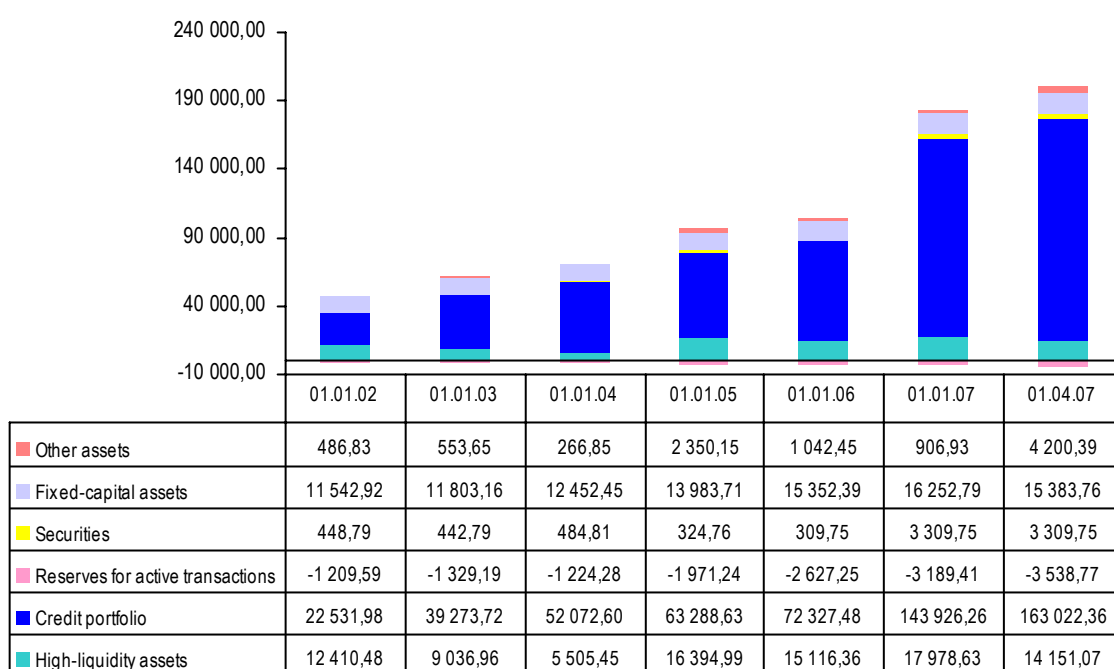


Chart 4.2. The Assets Volume and Structure of Lviv JSCB, UAH (000)

The assets grew mainly due to the increase of the client credit portfolio its share fluctuating in the range of 48-83 percent of the assets.

The head office of Lviv JSCB is located in a building owned by the bank. At the beginning of 2002 the share of non-operating assets (fixed-capital assets) was about 25 percent, however the expansion of the network of departments and the increase of volumes of active transactions of this ratio were reduced to 7.8 percent of the assets on April 01, 2007.

The fluctuations of volume of high-liquidity assets were significant while their share in the bank's gross assets was 7.2 percent on April 01, 2007. The volume of the securities portfolio is small.

The other assets include earned incomes (about UAH 400 000), accounts receivable for economic activity (UAH 816 000) and the property title to which Lviv Bank holds as a pledge.

4.3.2. Credit and Investment Portfolio

Over the past four years the credit and investment portfolio of Lviv JSCB has increased 5.5 times and amounted to UAH 168.3 million on April 01, 2007. In addition its share in net assets grew from 65 percent (on January 01, 2002) to 84 percent (on April 01, 2007). The credit and investment portfolio grew due to the increase of the client credit portfolio and investments in securities. The volume and structure of the credit and investment portfolio can be seen in the table (Table 4.4).

Table 4.4. The Volume and Structure of Credit and Investment Portfolio of Lviv JSCB

	01 Jan 02	01 Jan 03	01 Jan 04	01 Jan 05	01 Jan 06	01 Jan 07	01 Apr 07
Credits to clients	22 531.98	39 273.72	52 072.60	63 288.63	72 327.48	143 926.26	163 022.36
Inter-bank credits	2 371.08	3 118.38	0.00	0.00	0.00	3 030.00	0.00
Inter-bank deposits	5 500.00	0.00	0.00	2 122.16	0.00	0.00	0.00
Securities	448.79	442.79	484.81	324.76	309.75	5 309.75	5 322.25
Total	30 851.85	42 834.89	52 557.41	65 735.55	72 637.24	152 266.01	168 344.62

The bulk of the credit and investment portfolio is made up by the client credit portfolio (about 97 percent on April 01, 2007), while the share of other components in particular securities and offered/placed inter-bank credits/deposits is insignificantly small.

The bank's activity in the inter-bank market is low, the Bank attracts inter-bank resources to maintain liquidity. The same situation causes the passive balance of the MBO, however its relation to the liabilities is not critical.

The securities portfolio of Lviv JSCB is formed with stock of insurance companies in the amount of UAH 309 700, government home bonds (UAH 2 million), bonds of Universalnaya Insurance Company PJSC⁵ (UAH 2 million) and bonds of Rodovid Bank, PJSC⁶ (UAH 1 million).

Credits to Clients

Since the beginning of 2002 the credit portfolio of Lviv JSCB has grown 7.2 times (the absolute increase – UAH 137.5 million) and amounted to UAH 163 million by

⁵ Credit-Rating Rating Agency has assigned uaA- credit rating to these bonds according to the National Credit Rating Scale.

⁶ The rating of Rodovid Bank, assigned by the international rating agency Moody's by the international scale - B3/NP/E+; by the national scale - Baa2.ua

April 01, 2007. The credit portfolio volume and structure of Lviv JSCB by borrowers and timelines can be seen in the table (Table 4.5).

Lviv JSCB is mainly aiming at attracting corporate clients, however the expansion of the regional network enhanced work with private clients. At the same time judging by the validity period of credits since the second half of 2006 the long-term credits prevail as providing – 84.6 percent of the client credit portfolio on April 01, 2007.

The Bank also operates in the mortgage market, but the volumes of loans for mortgages are small. Over the period under review there has been no credits granted for discounted bills. The volume of securities lodged over 2006 was never higher than 2.3 percent of the regulatory capital.

Table 4.5. The Volume and Structure of Client Credit Portfolio, UAH (000)

	01 Jan 02	01 Jan 03	01 Jan 04	01 Jan 05	01 Jan 06	01 Apr 06	01 Jul 06	01 Oct 06	01 Jan 07	01 Apr 07
Credits to individuals, including:	225.66	647.35	3 054.83	5 205.25	8 574.06	8 811.61	13 481.19	18 574.70	30 481.27	37 931.25
Short-term	196.20	426.86	2 470.58	3 851.61	4 131.78	3 416.34	3 350.97	3 481.85	3 287.34	3 043.66
Long-term	29.46	220.49	584.25	1 353.64	4 442.28	5 395.27	10 130.23	15 092.85	27 193.93	34 887.59
Credits to legal entities, including:	22 216.44	38 402.96	48 798.76	57 865.92	62 055.79	61 032.68	57 927.52	72 019.13	112 361.66	124 009.49
Short-term	15 436.49	28 358.08	33 243.74	41 627.46	34 808.90	33 699.01	26 396.14	25 924.05	23 155.34	21 883.96
Long-term	6 779.95	10 044.88	15 555.03	16 238.46	27 246.89	27 333.67	31 531.38	46 095.08	89 206.32	102 125.52
Total	22 442.10	39 050.30	51 853.59	63 071.17	70 629.85	69 844.29	71 408.72	90 593.83	142 842.93	161 940.73

Lviv JSCB lends cash to more than 20 economic industries, which reflects a wide range of diversification. For instance wholesale companies and wholesale brokers make up 23.6 percent of the client portfolio, construction – 13.3 percent, the share of other industries does not exceed 10 percent.

The predominant currency of lending and borrowing is Ukrainian hryvna (73.8 percent of the credit portfolio on January 01, 2007), while credits in US dollar make up 24 percent.

Taking into account the size of the bank and the focus on corporate clients, Lviv JSCB has a high concentration of credit portfolio which includes certain risks: on April 01, 2007 the 20 largest borrowers had over 52 percent of the credit portfolio.

The borrowed funds of Lviv JSCB are invested mainly in the client credit portfolio. The volume of securities and granted/placed inter-bank credits/deposits is insignificantly small (it should be noted that securities in the bank's portfolio are characterised as ones with good liquidity). The credit portfolio emphasises the bank's focus on long-term lending to corporate clients mainly, which together with a rather small volume of the total balance of Lviv Bank caused the high concentration of the credit portfolio – the 20 largest creditors have over 52 percent of the credit portfolio.

4.4. Liquidity and Assets Quality

4.4.1. Reserves, Defaults in Payment and Assets Quality

The structure of the credit portfolio of Lviv JSCB according to the risk categories is presented in the diagram below.

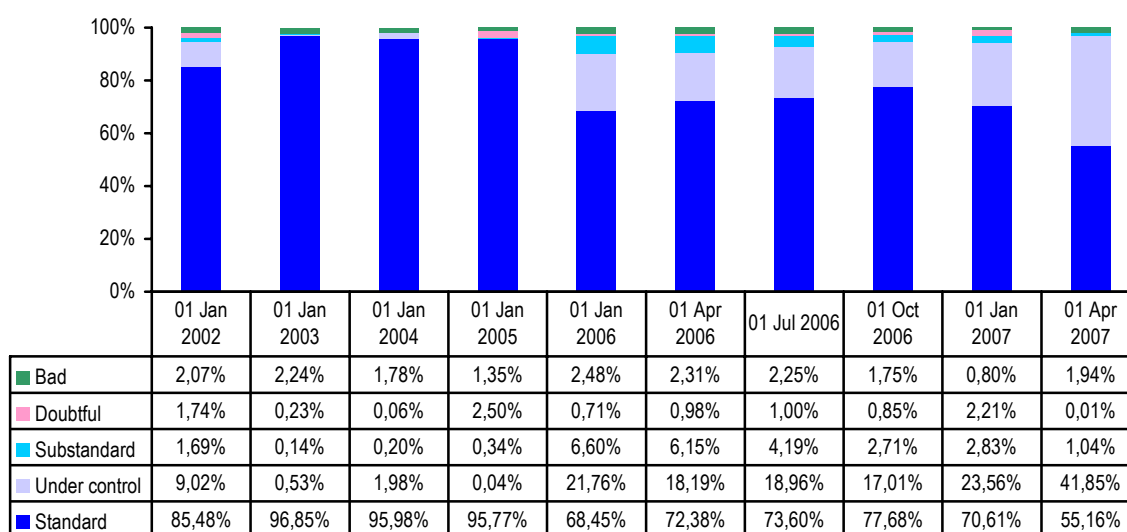


Diagram 4.3. The Structure of the Credit Portfolio according to the Risk Categories⁷

Within the structure of supply under provided loans, estate, non-state securities and moveable property prevail. The share of property rights for money deposits and other property rights is insignificant.

In accordance with the data of the income statement, the amount of overdue indebtedness, mainly for loans to individuals, at the end of 1Q 2007 constituted UAH 2.31million, or 1.42 percent of the credit portfolio to the clients. According to the information provided by the bank, the amount of the ten largest problematic loans constitutes UAH 4.06 million, or 2.5 percent of the credit portfolio.

The main indices, characterizing the quality of assets of Lviv JSCB, are presented in the table (Table 4.6).

⁷ In accordance with the accounting form to the NBU No.302 (without taking into account non-balance accounts)

Table 4.6. Information Regarding the Quality of Assets of Lviv JSCB, %

Index	01 Apr 06	01 Jul 06	01 Oct 06	01 Jan 07	01 Apr 07
share of NCA (Negatively Classified Asstes) in assets	n/a	7.13	6.18	5.11	9.80
Correlation of reserves to NCA	n/a	36.30	39.09	42.02	23.14
Overdue and doubtful loans within the credit portfolio	1.81	3.42	2.92	3.16	2.47
Share of securities in assets	0.34	0.31	0.31	0.27	0.24
Share of fixed assets in assets	15.06	13.01	12.12	9.07	7.83
Correlation of warrantees to the regulative capital	2.23	1.18	0.93	0.63	1.68

The share of the Negatively Classified Assets (NCA) during 2006 fluctuated within the limits of acceptable values, which are characteristic of the activity of the bank and to a significant extent are covered by the formed reserves for credit transactions.

The quality of assets is satisfactory: the overdue and doubtful loans as of April 01, 2007 constitute an insignificant part of the credit portfolio. The share of securities within assets remains at a low level, deductions to reserves are at an appropriate level, and the share of fixed assets in the assets decreases.

4.4.2. Liquidity

During the period under analysis the amount of highly liquid assets fluctuated greatly and as of 1Q2007 constituted 7.2 percent of the assets of the bank. The amount and the structure of assets are presented in the table below (Table 4.7).

Table 4.7. The Amount and the Structure of Highly Liquid Assets of Lviv JSCB, UAH million

	01 Jan 02	01 Jan 03	01 Jan 04	01 Jan 05	01 Jan 06	01 Apr 06	01 Jul 06	01 Oct 06	01 Jan 07	01 Apr 07
Cash and bank metals	1 029.98	1 295.96	1 535.47	3 312.67	3 209.47	3 467.03	5 324.65	3 962.99	3 748.35	4 977.13
Corresponding account in NBU	2 802.35	2 731.73	1 660.21	4 925.27	9 163.95	10 355.96	17 179.60	5 296.04	6 127.98	3 612.16
Corresponding accounts in other banks	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2 000.00	2 000.00	2 012.50
Governmental securities	707.08	1 890.88	2 309.77	6 034.88	2 742.94	1 877.92	7 010.08	10 120.40	3 072.31	3 549.28
Inter-bank credits/deposits	7 871.08	3 118.38	0.00	2 122.16	0.00	0.00	0.00	630.00	3 030.00	0.00
Total	12 410.48	9 036.96	5 505.45	16 394.99	15 116.36	15 700.90	29 514.33	22 009.43	17 978.63	14 151.07

The bank violates the norms for obligatory reservation of funds at the corresponding account in NBU. Indices, which additionally characterize the liquidity of the bank, are presented in the table below.

Table 4.8. Indices Characterizing the Liquidity of Lviv JSCB, %

	01 Jan 06	01 Apr 06	01 Jul 06	01 Oct 06	01 Jan 07	01 Apr 07
The share of highly liquid assets in the assets	17.37	14.89	15.48	25.26	17.12	10.03
Quick ratio	134.00	61.37	58.36	91.47	72.48	95.54
Current ratio	226.70	48.92	84.60	102.87	114.46	76.02
Short-term liquidity	67.65	23.72	30.53	37.07	49.72	33.65
Liquidity gaps less than 31 days	0.01	12.60	17.82	8.96	-7.84	-17.07
Passive balance before Inter-bank transactions within the liabilities	5.41	6.95	2.00	-3.43	2.36	5.52

Over the year 2006, the liquidity standards of Lviv JSCB were at the level, much higher than the minimum requirements of the NBU, and their values characterize the adequate capacity of the bank to settle the current liabilities.

Lviv JSCB has significant inadequacy of assets and liabilities with the terms of redemption to 31 days, which by certain reporting dates exceed the minimum requirements of the NBU (10 percent). However, a plan (the schedule) of events regarding the reduction of significant gaps were developed and submitted to the NBU. In particular, the reduction of gaps shall occur due to: migrations of the gaps from longer periods to shorter; substitution of fixed-term assets and liabilities (after the date of termination of the agreements) by fresh cash; epy attraction of new liabilities (mainly long-term) and their placement to the assets of shorter term.

Also, between the bank and its main shareholder there was an obligation signed regarding the supply of resources during three working days from the moment of creation of the bank in case of a run on deposits.

Within the structure of the credit portfolio within the risk categories, indebtedness prevails, which is classified as standard and under control, at that, the loan securities are mainly the non-state securities and the estate property. The quality of assets is satisfactory: the overdue loans are at an acceptable level, the part of the negatively classified assets is at an acceptable level and is adequately covered by the formed reserves, the share of fixed assets within assets decreases.

The highly liquid assets are characterized by the instability of its structure. The analysis of the liquidity of the bank is indicative of the significant capacity to settle its liabilities. However, by certain reporting dates the bank has gaps of assets and liabilities under the redemption term of less than 31 days over 10 percent. However, a schedule for the introduction of the recommended limits to cover the gaps is already developed and has been submitted to the NBU.

4.5. Financial Results

4.5.1. Revenue

As compared to January 01, 2002, the revenue of Lviv JSCB increased 2.9 times and constituted UAH 17.25 million as of April 01, 2007. The amount and the structure of the revenue of Lviv JSCB are presented in the diagram (Diagram 4.4).

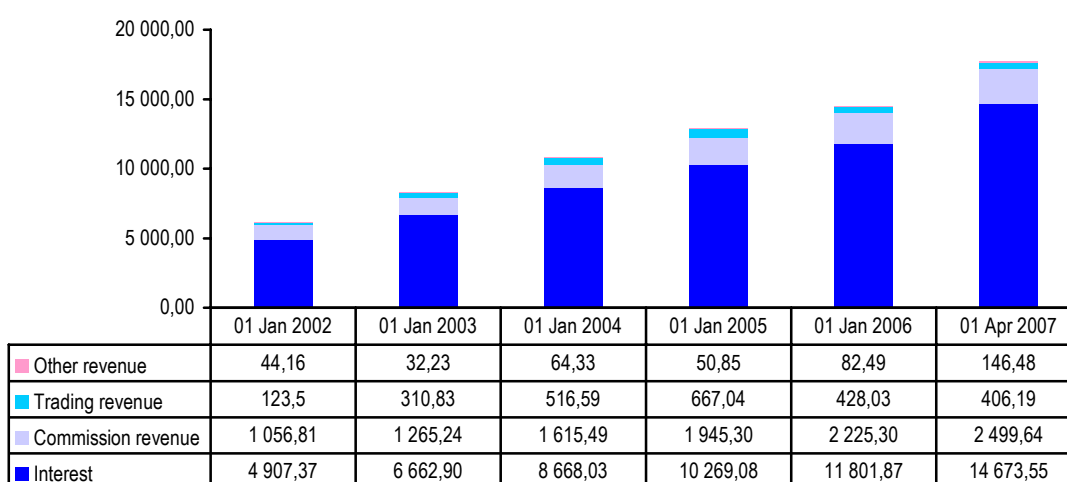


Diagram 4.4. The Amount and Structure of Revenue of Lviv JSCB, UAH (000)

During the period under analysis, the major revenue items are interest items, the share of which fluctuated within the limits of 80-84 percent, and commission charges, which consisted first of all, from revenue from settlement and cash servicing and credit servicing of the clients. The amount and the share of other constituent parts of the revenue are insignificant.

4.5.2. Expenditures

Expenditures, incurred during 2006, constituted UAH 16.1 million, which 3 times exceed the accumulated expenditures in 2001. The amount and the structure of expenditures are presented in the diagram (Diagram 4.5).

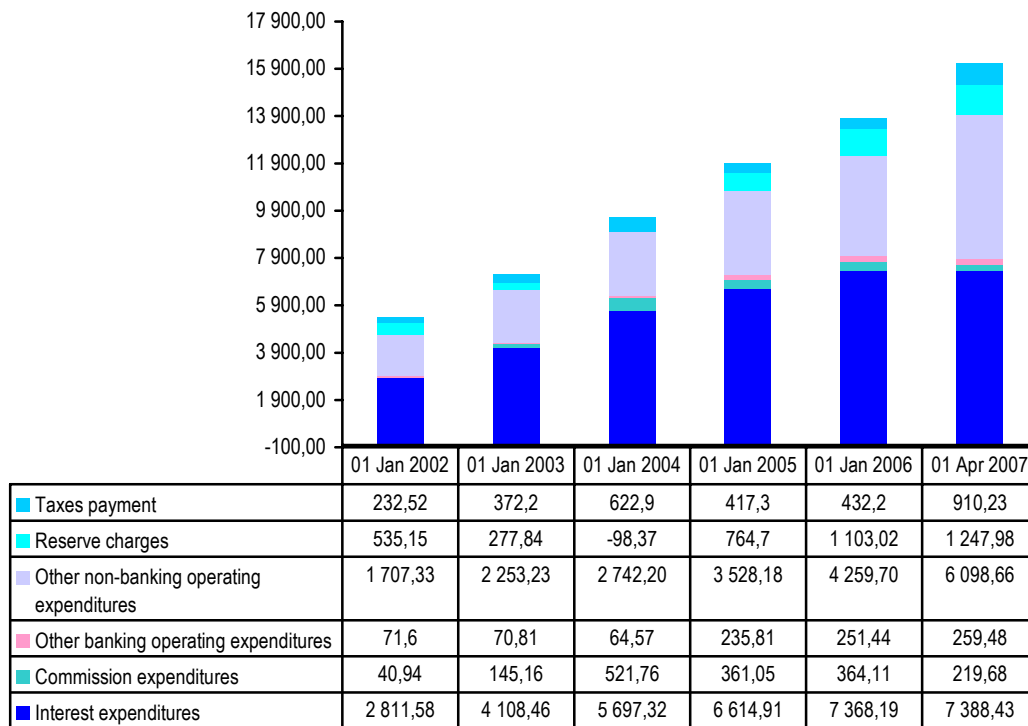


Diagram 4.5. The Amount and Structure of Expenditures of Lviv JSCB, UAH (000)

Within the structure of expenditures interest expenditures steadily prevail (their share fluctuated within the limits of 45-61 percent of total revenue) and other non-banking operating expenditures, namely staff personnel expenditures, fixed assets and telecommunication expenditures etc.

Under the results for 2006, the correlation of expenditures and revenues constituted 87.5 percent, which was by 4.3 percent points higher than the same index over 2005.

4.5.3. Income

During the period under analysis, Lviv JSCB was profitable. The amount of income of Lviv JSCB for the results of 2006 made UAH 1.6 million, which twice exceeded the amount of income, obtained in 2005. Under the results of activity during 1Q 2007 the net income constituted UAH 0.68 million, or 43 percent of the income for 2006. Generally, the dynamics of net income of Lviv JSCB is characterized by stability.

The main indices, characterizing the efficiency of Lviv JSCB, are presented in the table (Table 4.9).

Table 4.9. Key Indices of Efficiency of Lviv JSCB, percent

	Index	2002	2003	2004	2005	2006
Lviv JSCB	ROA	1.97	2.03	1.23	0.77	1.14
	ROE	5.60	6.05	3.86	2.62	3.58
	NPM (Net percent margin)	4.82	4.59	4.46	4.53	5.19
	Efficiency coefficient	176.87	167.06	167.38	157.83	143.96
Banking System of Ukraine	ROA	1.27	1.22	1.08	1.25	1.50
	ROE	8.00	8.90	8.07	9.89	12.19
	NPM (Net percent margin)	6.0	5.8	4.94	4.66	4.94
	Efficiency coefficient	n/a	n/a	173.5	173.7	196.0

As it can be observed from the above data, under the results for 2006 the indices of efficiency (profitability of assets and capital) are at an acceptable level, but, lower than the average level within the banking system. The value of the index of the net percent margin during the past five years suffered significant fluctuations, but at the same time, it is at a satisfactory level.

The revenue and the expenditures structure of the bank is stable, and the bank was profitable during the entire period under analysis. The profitability indices, in particular, the return on assets and equity capital, are at an acceptable level, but are lower than the average values within the banking system of Ukraine. The value of the efficiency coefficient is within the limits of the recommended values, at that from the end of 2002 it is reducing as a consequence of the extension of the regional network of Lviv JSCB.

5. Analysis of Plan Execution during the year 2006 and the Development Strategy for the year 2007

Generally, the key balance sheet indices in 2006 of Lviv JSCB were reached. Accordingly, a plan as to revenues and expenditures was made (Appendices #4 and #5).

According to the strategic development plan of Lviv JSCB for 2007 it is predicted that an extension of the business in the territory of Ukraine will occur, namely the opening of 9 additional subdivisions: 4 departments in Lviv and subdivisions in such cities as Drogobych, Chevonograd, Ivano-Frankivsk, Uzhgorod and Kyiv.

Also, the bank holds negotiations regarding the opening NOSTRO-accounts in foreign banks, in particular, Raiffeisen Zentralbank Osterreich Aktiengesellschaft (Vienna, Austria), Promsvyazbank (Moscow, Russia), Landsbanki (Reykjavik, Iceland), ICEBANK (Reykjavik, Iceland), BRE Bank SA (Warsaw, Poland) etc.

Except for those payment systems, already working with the bank (NSMEP, Anelik, Western Union), in 2007 it is planned to connect the following payment systems: UNISTREAM, CONTACT, MoneyGram, Migom, Zhyvye dengi (Live Money), Zolotaya korona (Golden crown), Bystraya pochta (Quick post), VIGO, Strana Express (Express country), Xpress Money, Travel Money Transfer, International Money Transfers LEADER, BLIZKO, MONEY EXCHANGE, U.S. Money Express, ALLUR.

With the purpose of providing better service for its clients Lviv Bank JSCB plans to introduce CRM system in 2007.

The planned balance sheet indices are presented in the table (Table 5.1). The basis of the resource base in 2007 is predicted to be the current and the fixed-term cash funds of the clients, which as of January 01, 2008 shall constitute about 58 percent of liabilities, or UAH 208.8 million. Also, Lviv JSCB plans to issue bonds for the total amount of UAH 80.0 million.

Table 5.1. Scheduled Balance Sheet Indices of Lviv JSCB, UAH

Item name	1Q 2007	2Q 2007	3Q 2007	4Q 2007
Demand cash, including:	17 511 935	26 280 136	27 797 519	28 410 169
Individuals	1 142 510	2 404 986	2 661 694	2 083 619
Legal entities	16 369 425	23 875 150	25 135 825	26 326 550
Inter-bank credits	10 000 000	5 500 000	5 000 000	5 500 000
Deposit cash, including:	108 492 390	130 183 550	153 478 500	180 415 425
Deposits of legal entities	58 115 000	72 250 000	83 290 000	97 580 000
Deposits of individuals	50 377 390	57 933 550	70 188 500	82 835 425
Securities of own debt	0	20 000 000	50 000 000	80 000 000
Bank's capital	60 500 000	61 500 000	62 500 000	63 500 000
Subordinated debt	4 000 000	4 000 000	4 000 000	4 000 000
Balance sheet total	200 504 325	247 463 686	302 776 019	361 825 594
Cash	2 368 308	2 784 425	2 975 399	3 128 183
Correspondent account in NBU	9 070 593	9 707 333	11 744 284	13 994 095
Correspondent account in other banks	2 644 000	2 918 000	2 654 750	2 781 750
Investment in governmental bonds	2 000 000	3 000 000	4 000 000	4 000 000
Securities obtained by the bank	3 309 000	4 000 000	5 000 000	5 500 000
Credits to legal entities	124 372 725	152 348 066	194 939 094	239 783 244
Credits to individuals	39 379 031	54 512 340	63 589 220	74 520 800
Long-term investments	17 360 668	18 193 522	17 873 272	18 117 522

The main trends for investment of the attracted/borrowed resources are predicted to be the credit portfolio and the portfolio of securities. In particular, it is predicted to enlarge the portfolio of loans to legal entities up to UAH 240.0 million, including UAH 188.2 million of long-term loans. At that, the key credit programs for individuals shall be real estate mortgages, auto loans, cash loans etc.

To meet the requirements of NBU regarding the submission of written permission for the possibility of attraction and placement of foreign currency on the markets before August 20, 2007 it is planned to perform an additional issue of shares in the amount of nearly UAH 33.0 million, which is formalized by the protocol of General Meeting of shareholders of Lviv JSCB.

Financial outline of Lviv JSCB for 2007 is presented in the table (Table 5.2).

Table 5.2. Financial Outline of Lviv JSCB for 2007, UAH

Item of revenue/expenditures	1Q 2007	2Q 2007	3Q 2007	4Q 2007
Net interest revenue	3 467 164	4 369 807	4 967 160	5 880 784
Net non-interest revenue including:	574 885	704 240	786 800	1 001 455
Settlement and cash servicing of banks	-12 500	-15 300	-17 200	-17 100
Settlement servicing of clients	189 250	199 600	209 800	220 700
Cash servicing of clients	143 800	179 400	171 150	257 100
Credit servicing of clients (corporate credits)	111 300	182 250	134 400	212 300
Credit servicing of clients (retail credits)	35 670	41 260	40 500	46 370
Operations with securities	-70 000	-90 000	20 000	30 000
Operations with securities (registrar)	0	-2 000	2 500	2 000
Operations at foreign-exchange market (Ukrainian Inter-bank Foreign Exchange Market)	70 200	75 200	78 300	80 300
Operations at foreign-exchange market (currency exchange)	51 590	55 440	58 060	61 600
Payment of transfers via payment systems	17 170	29 720	39 865	52 645
Transactions with payment cards	1 350	5 800	8 200	9 500
Other non-interest revenue	7 000	8 000	8 500	9 500
Other non-payment revenue	30 055	34 870	32 725	36 540
Income statement from operating activity	4 042 049	5 074 047	5 753 960	6 882 239
Non-banking banking expenditures under the estimation	2 827 500	2 811 897	2 994 948	3 298 939
Net financial result	1 214 549	2 262 150	2 759 011	3 583 300
Reserves for substandard indebtedness	337 518	431 087	1 033 358	2 231 029
Financial result before tax	877 031	1 831 063	1 725 653	1 352 271
Income tax	219 258	457 766	431 413	338 068
Balance income	657 774	1 373 298	1 294 240	1 014 203

As far as the main types of assets in 2007 shall be loans, provided to clients, and the basis of the resource base shall be the cash of clients, the bonds and loans, then, accordingly, the major items of income and expenditures shall be interest and commission charges (first of all – from credit servicing of clients).

Key balance and operating indices in 2006 were achieved by the bank. The development strategy of Lviv JSCB is moderate in scope and foresees an increase in the amounts of active transactions at a sufficient level of capitalization, the development of a regional network and client base with the preservation of business efficiency.

Conclusion

After analysis of the bank's financial and economic positions, Lviv JSCB, has been assigned a credit rating of **uaBBB**. The outlook is **Stable**.

Director General

S. A. Dubko

Head of Department for Ratings of Financial Sector

A. M. Konoplyasty

Financial Analyst of Department for Ratings of Financial Sector

A. V. Myronenko

Appendices

Balance Sheet Data of Lviv JSCB

	01 Jan 02	01 Jan 03	01 Jan 04	01 Jan 05	01 Jan 06	01 Apr 06	01 Jul 06	01 Oct 06	01 Jan 07	01 Apr 07
<i>Assets</i>										
Cash and securities of NBU	3 832.32	4 027.70	3 195.68	8 237.94	12 373.42	13 822.99	22 504.25	11 259.04	11 876.33	10 601.80
Cash in other banks	8 578.16	5 009.26	2 309.77	8 157.04	2 742.94	1 877.92	7 010.08	10 750.40	6 102.31	3 549.28
Loans to the clients	22 531.98	39 273.72	52 072.60	63 288.63	72 327.48	71 396.32	72 959.46	92 140.06	143 926.26	163 022.36
Securities	448.79	442.79	484.81	324.76	309.75	309.75	309.75	309.75	3 309.75	3 309.75
Fixed assets	11 542.92	11 803.16	12 452.45	13 983.71	15 352.39	15 276.96	15 204.23	15 585.74	16 252.79	15 383.76
Accrued revenue	392.73	368.59	164.47	371.51	438.62	602.83	780.70	1 212.93	586.72	390.64
Reserves	-1 210	-1 329	-1 224	-1 971	-2 627	-2 452	-2 509	-2 917	-3 189	-3 539
<i>Other assets</i>	94	185	102	1 979	604	617	562	223	320	3 810
Total assets	46 211.42	59 781.08	69 557.88	94 371.00	101 521.19	101 452.41	116 821.46	128 563.86	179 184.96	196 528.57
<i>Liabilities</i>										
Indebtedness to NBU	0.00	0.00	900.00	2 098.35	0.00	0.00	0.00	0.00	1 800.00	1 800.00
Cash of banks	8 871.08	12 218.45	4 966.16	13 421.04	8 239.99	8 932.30	9 350.50	6 341.20	8 530.00	12 600.00
Deposits of legal entities	6 396.62	8 893.06	10 763.44	16 065.32	18 105.34	15 443.73	17 317.99	18 114.51	56 463.05	53 793.90
Deposits of individuals	12 020.36	18 115.00	28 440.74	32 450.34	44 407.61	41 971.58	39 864.90	39 100.37	46 639.01	60 709.40
Other deposits	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Debt securities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other liabilities	513.92	687.81	906.73	1 606.83	1 460.59	5 438.34	5 186.62	5 217.67	5 478.07	6 667.10
Total liabilities	27 801.98	39 914.33	45 977.07	65 641.87	72 213.53	71 785.95	71 720.01	68 773.75	118 910.14	135 570.40
<i>Equity capital</i>										
Stock capital	7 305.34	9 305.34	12 305.34	17 305.34	17 305.34	17 305.34	17 305.34	47 121.48	47 119.60	47 119.60
Reserves	230.92	377.46	0.00	1 273.01	2 102.82	2 102.82	4 074.57	3 628.40	3 626.07	5 227.47
Accumulated surplus	9 140.46	2 256.20	3 347.72	2 223.02	1 971.75	2 330.55	670.57	1 112.48	1 601.40	683.35
Other equity capital	1 732.72	7 927.75	7 927.75	7 927.75	7 927.75	7 927.75	23 050.97	7 927 752.19	7 927.75	7 927.75
Total equity capital	18 409.45	19 866.76	23 580.81	28 729.12	29 307.66	29 666.46	45 101.45	59 790.11	60 274.82	60 958.17

Income Statement Data of Lviv JSCB

	01 Jan 02	01 Jan 03	01 Jan 04	01 Jan 05	01 Jan 06	01 Apr 06	01 Jul 06	01 Oct 06	01 Jan 07	01 Apr 07
<i>Revenue</i>										
Interest revenue	4 907.37	6 662.90	8 668.03	10 269.08	11 801.87	2 983.28	5 914.91	9 650.96	14 673.55	5 978.84
Commission revenue	1 056.81	1 265.24	1 615.49	1 945.30	2 225.30	466.16	1 118.18	1 681.56	2 499.64	667.19
Trading revenue	123.50	310.83	516.59	667.04	428.03	75.32	149.66	265.59	406.19	129.56
Other revenue	44.16	32.23	64.33	50.85	82.49	17.83	74.67	93.83	146.48	31.56
Total revenue	6 131.84	8 271.19	10 864.44	12 932.27	14 537.69	3 542.59	7 257.41	11 691.94	17 725.86	6 807.16
<i>Expenditures</i>										
Interest expenditures	2 811.58	4 108.46	5 697.32	6 614.91	7 368.19	1 942.80	3 762.34	5 413.79	7 388.43	3 033.64
Commission expenditures	40.94	145.16	521.76	361.05	364.11	54.55	83.52	147.28	219.68	60.20
Other bank operating expenditures	71.60	70.81	64.57	235.81	251.44	120.62	163.50	201.58	259.48	166.87
Other non-banking operating transactions	1 707.33	2 253.23	2 742.20	3 528.18	4 259.70	1 061.01	2 219.91	3 952.03	6 098.66	2 302.45
Reserve charges	535.15	277.84	-98.37	764.70	1 103.02	4.81	250.20	518.73	1 247.98	322.66
Other expenditures	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income tax	232.52	372.20	622.90	417.30	432.20	0.00	107.38	346.06	910.23	238.00
Total expenditures	5 399.11	7 227.70	9 550.38	11 921.95	13 778.65	3 183.79	6 586.84	10 579.47	16 124.46	6 123.81
Net income	732.72	1 043.49	1 314.06	1 010.31	759.03	358.80	670.57	1 112.48	1 601.40	683.35

Information regarding Execution of Economic Standards provided by the NBU

Regulation, measurement unit	Regulative value	01 Feb 06	01 Mar 06	01 Apr 06	01 May 06	01 Jun 06	01 Jul 06	01 Aug 06	01 Sep 06	01 Oct 06	01 Nov 06	01 Dec 06	01 Jan 07	01 Feb 07	01 Mar 07	01 Mar 07
Regulative capital, UAH million	EUR 8 million	29.11	33.35	33.60	33.43	33.53	33.62	63.35	63.20	63.15	63.37	63.86	64.07	63.42	63.48	63.97
Standard for regulative capital adequacy	No less than 10%	33.28	37.20	37.46	39.94	39.34	37.01	67.81	57.23	56.07	50.51	43.37	38.43	37.98	35.75	34.64
Standard for of fixed capital adequacy	No less than 4%	20.05	19.69	19.62	19.47	20.22	19.09	38.95	39.44	39.84	38.79	33.37	29.75	27.98	27.06	26.34
Standard for quick ratio	No less than 20%	126.76	131.22	131.22	153.37	148.56	187.51	271.67	158.18	113.32	67.89	45.57	54.73	74.43	67.51	68.37
Standard for of current ratio	No less than 40%	132.28	97.57	129.89	156.31	110.87	183.55	226.28	123.33	154.85	83.13	45.65	73.80	73.53	71.01	41.82
Standard for short-term liquidity	No less than 20%	54.74	46.78	45.38	68.03	55.87	89.09	126.97	77.95	64.85	43.41	24.50	36.48	40.57	32.66	22.29
Standard for maximum credit risk per one contractor	No more than 25%	23.50	20.61	20.65	20.80	22.53	22.43	11.87	13.46	13.47	22.09	21.92	23.69	23.94	23.91	23.73
Standard for large credit risks	No more than 800%	105.61	85.06	90.00	79.08	108.23	109.87	23.02	24.82	35.06	52.02	76.14	98.37	89.59	89.50	88.82
Standard for maximum amount of loans, warrantees and guarantees, provided per one insider	No more than 5%	0.80	0.77	0.77	0.74	0.71	0.69	0.25	0.25	0.35	0.35	0.34	0.34	0.89	0.88	0.87
Standard for maximum accumulated amount of credits, warrantees and guarantees, provided to insiders	No more than 30%	9.71	9.68	9.51	1.45	1.07	1.01	0.54	0.50	1.38	1.47	1.84	2.04	2.64	2.67	2.89
Standard for investing in securities for each organization separately	No more than 15%	1.06	0.98	0.98	0.92	0.93	0.93	0.93	0.49	0.49	0.49	0.49	0.48	0.49	0.49	0.49
Standard for total amount of investment	No more than 60%	1.06	0.98	0.98	0.92	0.93	0.93	0.93	0.49	0.49	0.49	0.49	0.48	0.49	0.49	0.49
Standard for risk of general open currency position of the bank	No more than 30%	5.0739	5.4949	5.4949	5.5538	7.1011	7.2377	7.6443	3.4511	3.6978	3.7026	5.3568	8.0480	8.9967	10.0811	9.7966
General prolonged open currency position	No more than 20%	5.0739	5.4949	56.4949	5.5538	7.1011	7.2377	7.6443	3.4511	3.6978	3.7026	5.3568	8.0480	8.9967	10.0811	9.7966
General shortened open currency position	No more than 10%	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

Appendix #4 to the Rating Report

Information regarding Performance of Balance Sheet Plans in 2006, UAH

Item Name	Plan, UAH	Actual, UAH	Deviation,UAH	Deviation, percent
ASSETS				
Cash in NBU of Ukraine and cash of the bank	10 000 000.00	9 876 328.63	-123 671.37	-1.2
Treasury and other securities, which are refinanced by NBU, and other securities issued by NBU	2 000 000.00	1 987 000.00	-13 000.00	-0.7
Cash in other banks	6 000 000.00	6 096 245.65	96 245.65	1.6
Securities within the trading portfolio of the bank	300 000.00	309 752.38	9 752.38	3.3
Securities within the portfolio of the bank for sale	0.00	0.00	0.00	0.0
Credits and indebtedness of the clients	142 000 000.00	141 182 426.48	-817 573.52	-0.6
Securities within the portfolio of the bank for redemption	2 500 000.00	2 955 699.20	455 699.20	18.2
Investments in associated and subsidiary companies	0.00	0.00	0.00	0.0
Fixed assets and intangible assets	16 000 000.00	16 252 794.79	252 794.79	1.6
Accrued revenue before obtaining	200 000.00	208 001.18	8 001.18	4.0
Deferred tax assets	0.00	0.00	0.00	0.0
Other assets	300 000.00	316 710.42	16 710.42	5.6
<i>Total assets</i>	<i>179 300 000.00</i>	<i>179 184 958.73</i>	<i>-115 041.27</i>	<i>-0.1</i>
LIABILITIES				
Cash of banks	10 000 000.00	10 330 000.00	330 000.00	3.3
Cash of clients	104 000 000.00	103 102 060.55	-897 939.45	-0.9
Saving (deposit) certificates, issued by the bank	0.00	0.00	0.00	0.0
Debt securities, issued by the bank	0.00	0.00	0.00	0.0
Accrued expenditures before payment	1 300 000.00	1 349 575.71	49 575.71	3.8
Deferred tax liabilities	0.00	0.00	0.00	0.0
Other liabilities	4 000 000.00	4 128 498.76	128 498.76	3.2
<i>Total liabilities</i>	<i>119 300 000.00</i>	<i>118 910 135.02</i>	<i>-389 864.98</i>	<i>-0.3</i>
EQUITY CAPITAL				
Stock capital	47 000 000.00	47 305 338.00	305 338.00	0.6
Own shares (parts, tranches), purchased from the shareholders (members)	0.00	-185 736.00	-185 736.00	0.0
Reserves and other funds of the bank	3 600 000.00	3 626 070.94	26 070.94	0.7
Revaluation reserves, including:	8 000 000.00	7 927 752.19	-72 247.81	-0.9
Revaluation reserves of intangible assets	8 000 000.00	7 927 752.19	-72 247.81	-0.9
Profit/Loss of the reporting year, to be approved	1 400 000.00	1 601 398.58	201 398.58	14.4
<i>Total equity</i>	<i>60 000 000.00</i>	<i>60 274 823.71</i>	<i>274 823.71</i>	<i>0.5</i>
<i>Total liabilities</i>	<i>179 300 000.00</i>	<i>179 184 958.73</i>	<i>-115 041.27</i>	<i>-0.1</i>

Appendix #5 to the Rating Report

Information regarding Execution of Financial Plan in 2006

Item Name	Plan, UAH	Actual, UAH	Deviation,UAH	Deviation, percent
Net interest revenue	7 000.00	7 285.13	285.13	4.1%
Interest income	14 000.00	14 673.56	673.56	4.8%
Interest	-7 000.00	-7 388.43	-388.43	5.5%
Net commission revenue	2 200.00	2 279.96	79.96	3.6%
Commission revenue	2 400.00	2 499.64	99.64	4.2%
Commission expenditures	-200.00	-219.68	-19.68	9.8%
Trading revenue	400.00	406.19	6.19	1.5%
Revenue in the form of dividends	35.00	34.07	-0.93	-2.7%
Revenue from capital interest	0.00	0.00	0.00	0.0%
Other revenue	170.00	174.90	4.90	2.9%
Total revenue	9 805.00	10 180.25	375.25	3.8%
General administrative expenditures	-2 400.00	-2 386.20	13.80	-0.6%
Personnel expenditures	-3 700.00	-3 679.79	20.21	-0.5%
Loss from capital interest	0.00	0.00	0.00	0.0%
Other expenditures	-300.00	-292.15	7.85	-2.6%
Income from transactions	3 800.00	3 822.10	22.10	0.6%
Net expenditures on reserves formation	-1 300.00	-1 247.98	52.02	-4.0%
Income before tax	2 400.00	2 574.13	174.13	7.3%
Expenditures on income tax	-450.00	-478.03	-28.03	6.2%
Income after tax	1 950.00	2 096.10	146.10	7.5%